



U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT

GUIDELINES FOR STRATEGIC PLANS

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I. ACHIEVING RESULTS: THE STRATEGIC MANAGEMENT PROCESS

USAID has embarked on an ambitious effort to shift its focus of attention from directing *inputs* to managing for *results*. Building on the Agency's strategy statements, which identify five priority areas, these Implementation Guidelines are part of the new programming process that emphasizes clear strategic objectives and that marshal USAID resources, both financial and human, to achieve results. Efforts are underway to develop an agency-wide strategic plan which will encompass the strategies articulated by the various branches of USAID, focused around these five principal themes of sustainable development.

The Agency now requires, under the *Agency Directive on Setting and Monitoring Program Strategies* (May 1994), that each operational unit (i.e. mission or USAID/W office) develop a strategic plan that distinguishes areas of focus, implementation modalities and evaluation criteria for progress. These strategic plans are the underpinning both for allocating resources and for assessing performance. This enables the Agency to direct resources to where they are most likely to contribute toward achieving the Agency's priority objectives. These Guidelines are designed to facilitate USAID's ability, at all levels, to develop strategic plans that are consistent with the Agency's focus on sustainable development.

Participation is key to the development of strategic and action plans. As a results-oriented organization, USAID "begins with the customer" to ensure that the development effort contributes to change processes that are consistent with the values and priorities of people who will have to sustain them. The Agency should use a variety of methods to ascertain the perspectives of its potential "customers" or intended beneficiaries. To ensure that the strategic direction of USAID's assistance is congruent with the needs of host country counterparts and that the programs and changes achieve lasting results through local ownership, USAID must consult and collaborate with a broad range of development partners. These include national and local governments, local institutions and associations of different sorts, and nongovernmental organizations working with and advocating the perspectives of the poor.

Country Strategic Plans. The principal purpose of these Guidelines is to help shape the development of country strategic plans, which lie at the heart of this new programming process. All operational units are expected to have a strategic plan in place at all times. These multi-year plans (typically 5-8 years) will establish the basic framework for programming USAID assistance and demonstrating results of our programs.

The mission strategic plan should encompass *all* USAID assistance to a country, *including centrally managed field support resources and non-emergency food aid*. The plan must clearly articulate the types of support the mission program requires from USAID/W. The plan describes the key features of the assistance environment and outlines a USAID program strategy (including strategic objectives, key problems to be addressed, programmatic

approaches, performance indicators, baselines and targets, key assumptions, and essential research required). Missions should develop their plans in coordination and active collaboration with their local counterparts, both governmental and non-governmental, as well as with appropriate representatives from USAID/W (i.e. regional bureaus and the Global Bureau).

In the current reality of decreasing international development assistance resources, USAID missions should pay special attention to developing their plans within the context of a broad donor collaboration effort. Missions should seek donor consensus on sustainable development priorities, policies and programs in order to maximize the effective coordinated use of scarce resources. Mission plans should identify to the extent possible the scope of the development problems to be addressed by the donor community, and the estimated resources available by sector and program. Plans should explicitly identify how they will complement other donor resources, particularly focusing on technical leadership and collaboration in the priority USAID areas. Joint donor conditionality and policy reform should be included in the document, where relevant.

Regional and Central Strategic Plans. Strategic plans are also required for USAID-/W offices and bureaus, including G and BHR, which manage substantial portfolios of program-funded activities. These plans should be developed by the operational unit which has programmatic management responsibility for those activities, and shall cover all activities handled by that unit (i.e. Office of Health and Nutrition for child survival). These will look different from country strategic plans, but have the same purpose of articulating clear objectives and identifying performance indicators and targets that can be used to assess progress and to hold managers accountable for achieving agreed upon results.

Annual Action Plans. The document on which annual reviews will be based will be the annual action plans. They will be developed by all operating units, based on the strategic plans. The missions, in collaboration with the Global and Regional Bureaus and with PPC, will develop and revise plans for approval by USAID/W. These plans will feed into the agency-wide budget planning and allocation process. The action plans will describe actions and resources required to implement the unit's strategic plan in the current fiscal year and the two successive budget years. Based on USAID/W guidance concerning resource availabilities and the Administration's priorities, these will be updated annually, providing a rolling set of three-year plans for strategy implementation.

USAID/W Review and Approval. All strategic plans and action plans will be reviewed and approved by USAID/W (PPC, M, and operating bureaus). Assessment of the plans will include: clarity, logic and feasibility of the strategy; compliance with Agency policy and guidelines; clear delineation of expected results and evidence of results performance; and appropriateness in light of expected resource availabilities. The strategic plan will provide the basis for the "management contract" between the field and Washington.

Performance Monitoring. Using strategic objectives, performance indicators and targets identified in the strategic plans and action plans, each operational unit will conduct progress

reviews at least once a year to determine whether satisfactory progress is being made toward achieving its strategic objectives. USAID/W will conduct periodic program performance reviews of the Agency's major portfolios to identify any emerging issues which may warrant senior management attention. These will be supplemented by periodic in-depth assessments. Drawing on the results of progress reviews, the Agency will prepare an annual consolidated report on program achievements.

II. USAID GOAL: SUSTAINABLE DEVELOPMENT

Sustainable development is a dynamic process, not a fixed objective. It requires building lasting individual, institutional and societal capacity to respond to changing circumstances, new needs and evolving opportunities.

Countries where sustainable development is occurring are those in which human and financial resources and the institutions to effectively manage social change (including disasters and emergencies) exist. To be fully sustainable, development must be increasingly reliant on indigenous resources and capabilities.

Conditions that indicate a lasting indigenous capacity to manage social change effectively and to sustain development progress include:

- *Population growth which is within the economic and ecological carrying capacity of countries and regions and that permits maintenance of healthy and productive populations;*
- *Responsible stewardship of the natural resource base;*
- *Broad-based participation in political and economic life;*
- *Rising living standards, reduced food insecurity and poverty, and broadly available social benefits for current and future generations;*
- *Effective local capacity to prepare for and respond to natural and manmade disasters.*

Progress in these areas is interrelated: experience demonstrates that sustained progress is most unlikely in only one or two areas if no progress is achieved in the others. For this reason, USAID assistance will look for synergies, where progress in one area will reinforce progress in others. Therefore, to the maximum extent possible, country strategies should be integrated at the macro level, building on an analysis of overall development progress and a careful assessment of the ways in which USAID's priorities support broad based development.

This does not mean that USAID country programs are expected always to include activities addressing development constraints in all five priority areas. Strategic plans should

show where USAID can provide vital support and assistance that will enable people to solve their own critical problems; how these USAID-funded efforts fit together; and how they relate to what other donors and indigenous institutions are doing.

Throughout these analyses, USAID places a high priority on equity and distributional dimensions of development. How do performance, prospects and opportunity relate in particular to poor, disadvantaged and marginalized groups, particularly women? Supporting clear, timely and sustained improvements in the capacities of these disadvantaged groups to participate fully in expanding opportunities should be an important objective in designing USAID programs.

In situations in which host government institutions and priorities themselves pose significant obstacles to achieving sustainable development, strategies may need to actively support those elements of society that are pursuing alternative approaches and who may ultimately be effective in opening up previously unresponsive government institutions or in serving as alternative development channels. Increased programming through host country and international NGOs may be vitally important in this effort.

III. DEVELOPING USAID STRATEGIC PLANS

Within the framework of USAID priorities, country strategic plans should assess *opportunities* and *constraints*, and identify *strategic objectives*. The Agency defines a strategic objective as the most significant development result which can be achieved within the time period of the strategic plan and for which the operational unit will be held accountable. These objectives will establish the context for specific USAID activities and the standards against which their success will be judged.

Although the final strategy document itself should be brief, it should be based on careful analysis of the factors noted below. Where these key indicators suggest a serious development constraint, the presumption is that country strategic plans must show how USAID will help address them, absent a compelling argument to the contrary (e.g. scarcity of AID resources; other donor activities; absence of a supportive policy stance or sufficient capacity on the part of the recipient). This presumption is particularly strong with regard to USAID global priorities of population, global warming, biodiversity, and the HIV/AIDS epidemic. However, this does not preclude USAID activities and strategic objectives in areas where these indicators suggest that conditions are not quite as acute as long as a clear rationale can be put forth as to why such activities are of particular importance to the overall strategy.

Key Factors in Population and Health. The presence of any of the following key factors indicates a critical constraint to sustainable national development exists within this sector. If this is the case, the country strategy must give serious consideration to formulation

of strategic objectives which address family planning, reproductive health and child survival:

- Annual total GDP growth less than 2% higher than annual population growth over the past ten years.
- Unmet need for contraception (i.e., women who do not currently wish to become pregnant but are not currently using contraception) at or above 25% of married women of childbearing age.
- Total fertility rate above 3.5.
- Under five mortality rate at or above 150 per thousand live births.
- Maternal mortality ratio at or above 200 maternal deaths per 100,000 live births.
- Prevalence of STDs at or above ten percent among women aged 15-30.
- Stunting (height for age at least two standard deviations below mean) found in at least twenty-five percent of children under 5.

In addition to these factors, efforts to combat the global HIV/AIDS epidemic require analysis of a separate set of factors. If the STD indicator or either of the following factors are present, then priority consideration should be given to development of a strategic objective directed at the prevention of HIV/AIDS:

- General HIV prevalence in low risk groups at or above one percent.
- HIV prevalence in a high risk group at or above ten percent.

Global Population and Health Priority Countries. USAID has identified global population growth as an issue of strategic priority for the agency as a whole. In addition to the analyses noted above, particular attention will be given to the development of strategies directed at family planning, child survival and reproductive health in those countries which have the largest total unmet need for contraception (see Annex A for further discussion).

Key Factors in the Environment. The presence of any of the following factors indicates severe environmental degradation. Strategic plans that will help address the root causes of these problems should receive serious consideration. Many of these factors in many countries are not currently measured; expert judgement will often be required in lieu of actual data.

- Quantifiable losses in GDP of 5% or more due to natural resource depletion (deforestation, depletion of fisheries, soil erosion, overgrazing of rangeland) and/or pollution (work time lost from disease and death, environmental restrictions on industrial

activity and transport, costs of mitigation and remediation).

- Rapid rate of degradation (e.g. 1% p.a.) of key ecosystems, e.g.:
 - deforestation.
 - conversion of wetlands.
 - loss of coral reefs.
 - conversion of savannah.
- Unacceptable environmental health risks, e.g.:
 - annual mean concentration of fecal coliforms in highly used water bodies exceeds 1000 per 100 milliliter sample.
 - annual mean concentrations of suspended particulate matter and sulfur dioxide in major urban areas exceed 300 and 100 micrograms per cubic meter, respectively.

However, existence of severe problems is not a necessary condition for missions to identify environmental strategic objectives. Other key factors that also need to be considered include:

- Economic, ecological, and public health significance of undegraded resources (e.g. standing forests, wetlands, coral reefs, watersheds, topsoil, surface waters) and degree of potential threat.
- Public health and ecological implications of trends of urbanization, industrial development, and population/demographic changes.
- Priority given to strengthening environmental policies and programs by local partners, both governmental and non-governmental.

Global Climate Change and Biodiversity Priority Countries. USAID has identified global climate change and the loss of biodiversity as priority issues that are global in scope; issues where action in one country directly affects all others. For global climate change, USAID has identified ten key countries or regions: Brazil, India, Indonesia, Kazakhstan, Mexico, Philippines, Poland, Russia, Ukraine and Central Africa. Absent compelling arguments to the contrary, strategic plans for these countries should identify as an objective or sub-objective the reduction in rates of growth of greenhouse gas emissions. For biodiversity, USAID is currently in the process of identifying high-priority regions for biodiversity conservation. Subsequent guidance will address this issue.

Key Factors in Democracy. If any of the following factors are present, then serious consideration should be given to formulating strategic objectives to address political and institutional constraints to sustainable development:

- Incidents of torture and disappearances in countries where, for various reasons, the

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agency has decided to proceed with a sustainable development program - a determination should be based on Embassy reporting, Department of State country reports, UN documents, and information provided by credible human rights groups;

- Elections in which not all political parties participate or where the results of the last election were not accepted by the competing parties;
- Government denial of permission for political parties, labor unions, civic action groups and the independent media to register or operate freely;
- More than 50 percent of the population does not believe that the judiciary is independent or that they can effectively utilize the judiciary to resolve disputes;
- Women constitute less than three percent of elected national officials or women turnout in elections is less than 80 percent that of men; and
- Failure to prosecute military and police officials accused of serious human rights abuses.

Existence of other problems in the democracy sector also might suggest a USAID response, particularly where continuation of the problem would have consequences for programs in other sectors. This would include:

- A legislature in which a majority of the members have never served before;
- A weak legal system, which acts to discourage investment and other business dealings; and
- An overly centralized system for policy formulation and implementation.

Key Factors in Economic Growth. Presence of any of the following indicates severe economic growth problems, and suggests that serious consideration should be given to programs to address the root causes.

- Incidence of poverty greater than 30%, widespread food insecurity, and per capita income below \$500.
- Annual per capita economic growth less than 1.5% over past ten years .
- Persistent macroeconomic instability, as indicated by continuing need for IMF assistance and major adjustment programs over past 5-10 years.
- Inadequate health care as indicated by life expectancy of less than 61 years.

- Illiteracy above 40 percent, and female illiteracy greater than 1.25 times the total.
- Primary education enrollment rates less than 85%, or ratio of girls enrolled less than 80% of total ratio.

Key Factors in Humanitarian Assistance. Humanitarian assistance is integral to sustainable development, and strategic plans must recognize the critical linkages between development and humanitarian assistance programs. Effective grass-roots development programs are often the best long-term means for addressing humanitarian concerns and preventing disasters. In preparing strategic plans USAID should assess a country's vulnerability and capacity to respond to natural and manmade disasters and examine factors such as food insecurity and extreme poverty which place vulnerable groups at high risk.

In countries which are "disaster prone" and have limited response capability, careful consideration should be given to developing objectives to reduce vulnerability through disaster prevention, mitigation and preparedness measures. Factors which characterize these countries include:

- Historical incidence of recurrent major natural disasters resulting in significant loss of life, infrastructure, and capital resources.
- Political and social instability and/or history of civil strife.
- Inadequate emergency management procedures and resources dedicated to prevention, mitigation, and preparedness.
- Poorly controlled industrial and nuclear processes which pose serious environmental threats.

Formulating humanitarian assistance objectives should also be considered when there are significant groups at high risk and requiring immediate assistance as a result of the following factors:

- Significant food insecurity and levels of acute malnutrition.
- Natural disasters or civil strife which have resulted in major population dislocations, loss of jobs and income, destruction of property, or substantially reduced food production and availability.

Countries in Post-Crisis Transitions. Aiding countries which are in a transitional situation after emerging from a national conflict, a political upheaval, or a natural disaster is a new priority under the Agency's Humanitarian Assistance Strategy. In identifying these

countries and establishing strategic objectives careful consideration will be given to factors such as the need to demobilize and reintegrate troops and to resettle refugee populations, restoration of basic security and infrastructure, and the strengthening of economic and administrative structures and political institutions.

IV. CRITERIA FOR ASSESSING STRATEGIC PLANS

Clear results commensurate with costs. Strategies should identify expected program outcomes in clearly measurable terms; explain how these impacts directly contribute to the achievement of strategic objectives and agencywide goals; explain how these outcomes will be achieved within projected inputs; and demonstrate that these results bear a favorable relationship to costs.

People-level impact. USAID seeks to build the capacities and expand the opportunities of the poor majority of the developing world. Strategies should show (in specific and measurable terms) how the social, economic, environmental and political changes USAID supports will clearly help improve the lives of these disadvantaged populations.

Broad systemic changes. USAID strategies should be designed to have broad systemic impact, rather than consist exclusively of isolated, self-contained interventions. Such systemic impacts are likely to include changes in social rules and policies influencing public and private resource allocations, possibly through demonstrating the success of innovative approaches.

Tractable problems with reasonable prospects for success. Not all development problems can be solved. For example, it is not realistic to expect to eliminate all poverty. Furthermore, even when significant need is clearly established, opportunities for USAID assistance to be used effectively are not always present. Lack of political commitment, inappropriate policy frameworks or the absence of any recognized successful approach may all limit the opportunities for productive USAID investments. USAID will ask whether there are proven models or approaches to address particular problems successfully. Where there is no demonstrably successful approach, USAID strategies should be carefully constructed as experiments, complete with specification of anticipated results and a clear process to learn from the experience.

Integration. USAID objectives identified by strategic plans should be mutually supportive of the common objective of sustainable development. The strategy should provide the framework that integrates discrete activities at the strategic level and highlights complementary impact; integration should be given consideration as a tool to achieve the development goals of the operating unit rather than as an objective in itself. Strategic programs should

look beyond individual projects to cross-cutting, systemic effects that create or exploit identified synergies.

Participation. Strategic plans should be developed in a participatory manner, drawing on the insights and experiences of a wide range of USAID development partners, particularly those truly representing segments of society that are currently marginalized. Activities should be designed, implemented and evaluated in collaboration with "customers" (intended beneficiaries) and partners, so as to complement and support communities' own self-development efforts and to engage broad commitment to the development changes.

Research. Strategic plans should include the identification of research plans to be addressed to solve key development constraints, and research-related performance indicators and targets should be appropriately identified as part of the overall strategic plan. Research should not be conducted for the single purpose of capacity building but should where possible contribute to building indigenous capacity to identify problems, propose and test clear and rational solutions, and carry out necessary actions.

USAID comparative advantages. USAID will not attempt to address needs that are being adequately addressed by another donor or donors. Country strategies should show how USAID's field-based structure, experience and technical expertise provides an important advantage for our assistance efforts

Partnerships. Strategic plans should show how USAID will vigorously pursue opportunities to collaborate on mutually supportive activities (and avoid duplication and overlap) with other development efforts. This includes programs of other public and private entities, including bilateral donors, international financial institutions, private voluntary organizations, higher education institutions and private sector donors.

Sustainable improvements. USAID strategies must show how results can be sustained, including human capacities and prospects for institutional, political and financial sustainability over the long term. Improvements in social indicators that are wholly and permanently dependent on USAID assistance, without realistic prospects for independence, do not constitute sustainable development.

REFERENCES: Supplementary Guidance

These Guidelines build on, and should be read in the context of a series of directives which have been issued over the past year. These include:

- (i) the Administrator's Statement of Principles on Participatory Development (dated November 16, 1993), emphasizing USAID's renewed commitment to building opportunities for participation into development processes at all levels;
- (ii) the Administrator's "Framework Cable" (STATE 023472 dated January 28, 1994) which outlines idea of a strategic plan as central to programming USAID funds;
- (iii) the "Guidance for FY96 Programming Process" (STATE 104235 dated April 20, 1994) which mandates strategic plans as fundamental to the programming process; outlines generic requirements for strategic plans, annual action plans, and AID/W review process; and includes feedback on results to help guide allocation of funds based on performance; and
- (iv) the Agency Directive on Setting and Monitoring Program Strategies (May 31, 1994) which formally establishes strategic plans from operating units as the basic framework for programming assistance and reporting the results of USAID programs.



U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT

TECHNICAL ANNEX A:

POPULATION, HEALTH AND NUTRITION-- ENABLING INFORMED CHOICES AND EFFECTIVE ACTION

- I. INTRODUCTION**
- II. BACKGROUND**
- III. PROGRAMMATIC PRIORITIES**
- IV. RELATED PROGRAMS: SHARING A COMMON STRATEGY**
- V. PRIORITIZING COUNTRIES AND SUBREGIONS**
- VI. MEASURING RESULTS**

I. INTRODUCTION

If *any* of the PHN indicators described in the overview exceed critical levels which indicate a serious constraint to sustainable development, USAID missions should either develop an appropriate strategic response or justify why this area is not an appropriate subject for mission programming. In countries in which these levels are not exceeded, but where specific PHN conditions pose important development obstacles, missions may want to consider strategies in this sector, but are not required to do so. This annex provides further guidance for these purposes.

Rapid population growth, high rates of death, serious illness and malnutrition among women and children, as well as the burden of the HIV/AIDS epidemic, are global problems. They are also critical roadblocks to the ability of entire nations to achieve sustainable development. Equally important, these are fundamental humanitarian issues, as their impact is felt most directly in the daily lives of families and individuals -- especially women. USAID's strategic approach in this sector is designed to address perspectives at all three levels -- individual, national and global -- in a consistent fashion. Our mission is to respond directly to human needs and to support approaches that are both effective and sustainable. This calls for programs that directly involve communities, families and individuals in identifying workable strategies and taking action in key problem areas.

If action is called for in the sector, it is anticipated that most USAID country strategies will need to address all of the following closely related issues. Strategic analysis may then call for programming in some or all of these areas, and it is anticipated that the result of this analysis will often result in more comprehensive efforts. Programmatic focus will be on the development of sustainable systems, with activities generally focused at the community level, and with emphasis on the active participation of intended beneficiary groups in policy development, as well as planning, management and evaluation of activities. The anticipated results of these activities must be clearly articulated and a clear rationale established linking these results with mission and agency strategic objectives.

Principles. USAID has articulated the following guiding principles as the major themes of an effective strategy to stabilize global population and protect human health:

- *No woman should become pregnant if she does not wish to bear a child.*
- *No family should suffer the death of a child.*
- *No person should be subject to the risk of disease as a result of responsible sexual activity.*
- *No woman should be subject to the risk of death or serious illness because of pregnancy.*
- *No woman should enter adulthood without basic educational skills.*

Programmatic Priorities. USAID's programmatic priorities in the PHN sector have been chosen because they have been shown to be highly effective in achieving results which address the first four of these principles; the fifth is addressed in the section on Related Strategies.

- Promoting the rights of couples and individuals to determine freely and responsibly the number and spacing of their children, and addressing unmet need for contraception through comprehensive, effective, affordable and high quality family planning IEC and service delivery systems which are responsive and accountable to the end user. This will help women and families avoid undesired or high risk pregnancies, thus improving their health and wellbeing.
- Improving public health and reducing high levels of child mortality through key preventive and child survival information and services, especially among high risk families and neglected girl children. This will help to ensure that a decision to bear a child can be made with a reasonable expectation that the child will survive to adulthood.
- Developing appropriate responses to needs, particularly among women and young adults, for reproductive health care, including maternal health and safe motherhood, treatment for serious complications of unsafe abortion, control of sexually transmitted infections, including prevention of HIV infection, and prevention of female genital mutilation. This will improve their own and their children's health, and help women to take responsibility and control over their reproductive lives and decisions.

In certain circumstances, USAID may also devote resources to addressing diseases that pose a major constraint to the economic productivity of adult labor forces among the poor (such as malaria and TB), where this will contribute substantially toward the strategic goal of equitable broad-based economic growth.

II. BACKGROUND

In most of the world, women bear a disproportionate share of the responsibilities and consequences associated with unprotected sexual activity, contraception, pregnancy, child-bearing and child nurturing. In much of the world they have little real control over planning their families and protecting their own or their children's health. Often they do not have the education, specific information, or the means needed to make informed choices and may have only limited power to act autonomously. Even when they wish to act, they often lack access to appropriate and adequately functioning services.

Women who have the opportunity, capacity and means to choose have been shown to play a far more active role in family and community decision-making. Generally, they choose to bear significantly fewer children, stay healthier, maintain the growth and health of

their children more successfully, and are at lower risk of contracting and passing on sexually transmitted infections (STIs). *Informed choice and the possibility of effective action*, especially by women, are the keys to sustainable progress in slowing population growth, improving reproductive and child health, and slowing the pace of HIV transmission. Such choices must be their own, rather than being imposed by national or international authorities, and are the foundation of effective empowerment.

These efforts can only be successful if programs recognize that women often do not have much control over their choices, and that this fact is a critical development constraint which needs to be addressed. While provision of information and services is necessary, women's ability to practice family planning may depend on their partners' willingness to accept or share in the responsibility of contraception, or their status in the extended family if they delay their first pregnancy. Their ability to adequately feed and care for their children may depend on cultural norms concerning what is eaten and who has first call on food within the family, their control over scarce financial resources, and the degree to which arduous manual labor is expected of them. Protection against HIV and other STIs may depend on the extramarital sexual behavior of their partners, women's ability to negotiate the use of condoms, or their ability to find sources of income other than commercial sex. This underlines the importance of seeking linkages between family planning and health programs with development activities which address women's access to education, income, technology, and civic participation.

In the past, family planning and maternal and child health programs have often been designed to deal principally with women. Programs must recognize that men and women are affected by profoundly different experiences, perceptions, risks, needs, power, and relationships. Therefore, messages and programs must now be developed to deal constructively with this reality. Increasing the responsibility of men for their reproductive health and behavior is an essential part of an effective strategy.

USAID's PHN programs must see to it that the needs of clients are considered rather than the dictates of imposed targets, and results criteria must be based on this orientation. Programs that ensure the provision of accessible, appropriate, and high quality communications, services and commodities will enable feasible, effective and self-reinforcing action. This has far more impact on health and fertility in the long run, and is far more likely to be sustainable, than programs based on numerical quotas.

In many settings it may be appropriate to support multiple channels of communications and service delivery, at various degrees of integration, to capitalize on the synergies that exist between family planning, child health and reproductive health programs, and women's development initiatives. Women's domestic and labor demands often occupy sixteen hours a day. They simply may not have the time to seek contraceptives from one source, child health care from another, their own reproductive health care from yet another -- each entailing long travel times and extended waits for service. On the other hand, adolescents seeking reproduc-

tive health care or women needing STI treatment may prefer to use services that are more separate, private, and confidential. Intersectoral initiatives, such as between family planning and female education, should be coordinated at the policy and program level, but may often depend on separate delivery sites and approaches. Decisions concerning the most appropriate level of integration will need to be made at the local and mission level, taking women's needs and community realities into consideration.

It is essential that USAID's programs also strengthen the systems and policies that support and enhance these elements. A supportive host-country policy environment is key to the success of these efforts. Our assistance must help build the capacity to develop and sustain host-country political commitment, promote advocacy for equitable PHN programs, enhance the ability of local organizations and women to define policies and to design and manage their own programs, and encourage increased allocation of host-country resources to this sector. This must involve both the public and private sectors, with special attention to building, supporting and empowering non-governmental organizations wherever feasible.

III. PROGRAMMATIC PRIORITIES

While the primary focus of PHN sector activities is generally on services, USAID does not directly provide these services. Rather, we sponsor interventions to improve the capacity, infrastructure, systems and policies which support these services in a sustainable way.

The programs and activities discussed in this section represent a continuum, rather than totally discrete elements. Sector strategies should be developed which comprehensively address this continuum, with a focus on family planning, child survival, and reproductive health needs, including HIV prevention. While family planning is the core of our sectoral strategic approach, total levels of USAID sectoral resources for PHN are roughly equivalent between family planning and these closely associated child and reproductive health priorities, and balanced strategies are encouraged.

Missions are discouraged from addressing only single programmatic elements unless clearly supported by a strategic analysis. While all of these elements will not need to be directly supported by USAID if they are already being appropriately addressed by others, they should be taken into consideration in policy dialogue with host governments and with other donors.

Addressing these priority needs depends on building the capacity for effective demand at the grass roots level and responsive supply of services at the institutional level. Our strategic focus on the effective empowerment of women and communities will support appropriate individual action and the development of programs built on encouraging and responding to demand rather than driven by supply. Increasing the participation of women and target communities in the design, management and evaluation of programs at all levels is an essential aspect of this approach. Development and strengthening of indigenous capacities,

organizations and institutions to marshall and manage lasting change will allow the establishment of services that are responsive, effective and sustainable. This calls for client-centered, high quality information and service delivery systems along with the support structures needed to make these systems work.

INTERVENTIONS

The core of USAID's assistance will be directed toward a limited set of activities with proven public health impact and high cost-effectiveness.¹ USAID sponsored research will be targeted on expanding and sharpening our understanding of how various new and existing interventions meet these criteria, on developing and testing promising new approaches, on cost-effective ways of measuring results, and on operational research to enhance effective implementation.

USAID will encourage flexibility in building, supporting and funding programs which address a variety of the needs, defined here as programmatic priorities. Taking advantage of synergies through tying together the subsectors may enhance the achievement of our sectoral strategic objectives. In order to improve services and increase the demand and utilization of these services, serious efforts should be made to make optimum use of existing infrastructures by adding health, women's empowerment, and other development activities.

Family Planning. Each year, more than 100 million children are born, yet estimates are that at least 120 million women in the developing world currently have an expressed but unmet need for contraception; over the next decade, 200 million more women will enter their reproductive years. USAID's family planning activities will focus on addressing this current and anticipated future unmet need, and on assuring the coverage, responsiveness, and quality of these family planning services.

The principal elements of USAID supported family planning activities are: choice, variety and reliable availability of contraceptive methods with proven efficacy; sufficient quantity and high quality contraceptive supplies; ongoing attention to continuous improvement of the quality of services; eliminating unreasonable barriers to access to contraception; comprehensive and appropriate training, stressing technical issues, appropriate counselling and a focus on serving the client; sound management; encouraging multiple service delivery channels; public and private sector involvement; responsive and effective information and communication; and special emphasis (in addition to efforts directed at the general population) on reaching high risk women; and measurement and evaluation of program impact, centered in the short term on contraceptive prevalence and continuation rates, and using indices of client satisfaction, and, in the medium term, on levels of unintended pregnancy and unmet need for contraception.

Adolescents represent an important challenge, particularly given the large numbers of young women now entering their reproductive years. Programs must be developed to:

provide education concerning family planning and reproductive health before the onset of sexual activity; encourage abstinence, delayed marriage and onset of sexual activities; address issues of school drop-out due to pregnancy; and assure adequate privacy and confidentiality to enable the use of family planning services.

Finally, family planning efforts must reach men with effective programs to increase motivation for family planning, to encourage more communication and shared decision-making on family size and family planning methods with their partners, and to increase male responsibility for sexual health and fertility.

Child Survival. Reproductive decisions to bear a child cannot be meaningful unless the outcome of these decisions are reasonably certain. Each year, an estimated 13 million children die around the world and another 3.8 million are stillborn. The large majority of these deaths are due to a limited number of causes, principally pneumonia, diarrhea, vaccine preventable disease, and neonatal sepsis. In most of these deaths, malnutrition -- of the child, and often of the mother as well -- is an important underlying factor. USAID's activities will focus on these principal causes of death and of severe lifelong disabilities contracted during this period; programmatic emphasis will be on children under the age of three, who account for well over 90% of child deaths.

The principal elements of USAID supported child survival activities are: timely immunization against major vaccine-preventable diseases of early childhood through reliable and sustainable routine service delivery channels; early and appropriate detection and treatment of diarrhea and pneumonia; improved delivery and post-delivery practices, including warming and care of the newborn and programs to identify and treat neonatal sepsis; promotion of infant breastfeeding, appropriate weaning, and improved nutritional practices; supplementary feeding in emergency situations or in support of ongoing programs in severe food deficit areas; control of micronutrient deficiency through supplementation, food fortification and diet diversification, especially with respect to vitamin A, iron and iodine deficiency; prevention and treatment of childhood malaria cases in areas with high rates of malaria infection among children; development of both public and private sector channels to address these activities, taking into consideration existing patterns of care and care-seeking; management, information and quality of care systems for delivering these services in an operationally sustainable fashion; reliable supplies of vaccines, ORS, antibiotics, and vitamin A, and dependable supply systems, including commercial channels; IE&C activities directed at actionable behavior change with clear benefit to child health and survival; and a process for measuring and analyzing the impact of USAID assistance, including support for the development and use of new measures or data on child health or protection.

USAID assistance to child survival service delivery programs will be focused on the community, the primary health care system, and to a limited extent the first level hospitals. Emphasis will be on enabling caretakers to take effective action on behalf of their children's

wellbeing and on assuring gender equity in children's access to preventive and curative health.

Reproductive Health. Each year, an estimated 500,000 women die due to complications of pregnancy and childbirth and millions more are permanently injured. Problems associated with approximately 30 million annual illicit and unsafe abortions, account for approximately 100,000 of these deaths. An estimated 2-3 million persons, a majority of them women or youth, are newly infected with HIV each year and virtually all will die prematurely from AIDS. Most new cases of HIV are the result of unprotected heterosexual intercourse, and people with lesions caused by pre-existing STIs are at considerably higher risk of HIV infection. In addition, hundreds of millions of girls and women suffer from serious long term health problems stemming from difficulties in pregnancy and delivery, unsafe abortion, other STIs, and the effects of female genital mutilation. Women's and girls' nutrition and health, as well as care during pregnancy and childbirth, also have very profound impacts on infant and child mortality. USAID's activities in reproductive health will focus on these principal preventable causes of death and severe morbidity.

The principal elements which may be addressed in USAID supported programs are: basic prenatal care, notably tetanus toxoid immunization, the prevention and treatment of anemia and STIs, and malaria chemoprophylaxis in endemic areas; early detection and management of serious obstetric complications, including referral where feasible; promotion of safe, clean delivery by trained personnel and training of health personnel in life-saving skills; early detection and treatment of postpartum hemorrhage or infections in the mother and newborn; prevention of unsafe abortion, and provision of appropriate post-abortion treatment of infection and hemorrhage; post-partum and post-abortion contraception; development of reproductive health services designed specifically for adolescents; detection and treatment of STIs, especially among the young, street children, and high risk groups; identification of high risk groups for STIs and HIV and development of strategies to reduce the risk of exposure to HIV; prevention of STI and HIV transmission through promotion of negotiating skills, abstention, delayed start of sexual activity, and partner reduction among adolescents; active promotion of condom use as a principal means to prevent transmission of STIs and HIV, and assurance of adequate condom supplies through public and private sector channels; promotion of male sexual responsibility; policy dialogue and general awareness-raising in countries in which AIDS is already a public health problem, or where conditions are right for it to become such a problem; information and data collection to quantify and track the progression of the AIDS epidemic and the impact of interventions on high risk behavior, and when feasible on HIV/AIDS incidence and prevalence; the development, testing and implementation of approaches to eliminate the practice of female genital mutilation in cultures in which it is currently prevalent; and appropriate nutritional education, counselling and supplementation for adolescent girls and women.

USAID assistance for reproductive health and safe motherhood will be focused on education and outreach, primary health care and first level referral facilities. Treatment of

AIDS cases is considered a low priority pending the development of proven cost-effective therapy, but basic care and assistance to families may be appropriate in certain circumstances to mitigate the enormous economic consequences of the AIDS pandemic.

Lower Priorities. USAID's resources in the PHN sector should be principally directed towards these priority objectives. Low priority is accorded to the use of sector resources for programs principally directed at non-reproductive public health issues among adults, or at illnesses of childhood with lower public health significance (either due to small numbers affected or to low risk of death or severe morbidity). At the country level, resources should be used for lower priority activities only if the higher priority activities have been fully and adequately addressed, and if these activities directly support another USAID's strategic objective.

ESSENTIAL SUPPORTING ACTIVITIES. An important overarching objective for USAID efforts in sustainable development is to build national human, technical and institutional capacities. This includes sustained support to private or public sector institutions, investments in human resources and nurturing indigenous technical capacities to develop and carry out programs. Where host country policy commitment or institutional capacity is not adequate to sustain these priority sectoral activities, support should be given to policy reform and capacity strengthening where it is feasible, and to the development of alternative indigenous channels in the non-governmental sector.

Programs and activities which directly support these priority activities are included within the umbrella of these priorities as long as their principal focus serves one or several of these areas. Programmatically relevant research specifically focused on priority issues is recognized as a historic strength of USAID in the population, health and nutrition sector, and continued emphasis will be placed on the development of appropriate technologies through fundamental research (such as contraceptive and vaccine development) and on the practical application of new findings through applied and operational research.

Key systems elements which may be addressed in these programs include: building human resource capacity, especially among women, through development of managerial and technical skills at all levels; support of strong management and financial systems, notably in logistics, supervision, and the use of information; policy reform to reallocate or increase national resources devoted to these priority activities and to increase their efficiency; efforts to secure a stable and diversified resource base, including alternative financing and cost recovery mechanisms where this would support programmatic objectives and sustainability; mechanisms to foster health-enhancing behavior and continued demand for priority services, notably through face to face and mass communications as well as social marketing; and strong ongoing evaluation mechanisms to encourage continuous improvement of the quality of systems and services.

DISASTER AND EMERGENCY SITUATIONS. Disaster situations require a somewhat different approach, notably in that sustainability is a lower priority than rapid response to a humanitarian crisis. However, the health situation faced by populations in these circumstances differ in degree rather than in kind from those in our sustainable development efforts. Priority consideration will need to be given to key emergency issues: the need for food security to avoid famine, including micronutrient supplementation; the control of major communicable diseases to avoid epidemics, including ongoing childhood immunization (notably against measles and polio); basic family planning and reproductive health services, including condom provision, in recognition that women are at even greater reproductive risk in emergency situations; and child survival services, particularly management of diarrhea, pneumonia and malaria.

The reality of disaster situations today is that they are becoming permanent fixtures in many places. In situations where the likelihood of rapid resolution is low, many of the issues relating to indigenous capacity development and institutionalization which are of concern in sustainable development countries will need to be addressed early in the implementation of a PHN strategy.

IV. RELATED PROGRAMS: SHARING A COMMON STRATEGY

Missions and bureaus are encouraged to consider promising areas of cross-sectoral interaction as part of their broad strategic development. Women's empowerment is a key overarching goal of USAID across all our programs, and an essential element of sustainable development. It cannot be accomplished without educational equity. Basic education programs aimed specifically at girls and young women should be a priority for consideration as part of an intersectoral strategy. Female literacy and education have powerful long-term effects on family size and maternal and child health, as they do on economic growth at the household level, natural resource utilization and environmental conservation, and the establishment of robust democratic institutions. All USAID efforts in basic education need to be sharpened to ensure increased school enrollment rates for girls and increased literacy among young women.

In support of this end, and consistent with the Cairo Programme of Action, USAID intends to increase the level of resources available for girls' and women's education within the broad rubric of basic education, and encourages missions to seek maximum synergy with efforts in the PHN sector. In addition, limited use may be made of funds designated for population and family planning if the activities which these funds support are specifically designed to be directly and programmatically linked to increasing access to and use of family planning in the near term (see State 128823; 14 May, 1994 and State 183043; 9 July, 1994). This latter use of population funds will require prior clearance from both PPC and G Bureaus.

Equally essential are those programs which promote Women in Development (WID). Developing women's economic, social and civil participation and girls' educational opportu-

nities address the root causes of high fertility, women's low status and sustainable land and water use. Further, WID should be an integral strategy to promote lower population growth, improve economic conditions at the family and national levels and increase democracy through women's enfranchisement. Enlisting NGOs, including women's groups and women's rights groups, in dialogue, planning and implementing PHN initiatives serves two basic principles: increasing women's empowerment, and augmenting and monitoring the quality and accessibility of services offered by the public sector.

In countries in which water or industrial pollution is severe and results in major public health damage, environmental activities designed to reduce risk should be considered an intersectoral priority. In areas where food security is threatened, the impact of high levels of malnutrition on health status is likely to be high, and intersectoral strategies to address food supply should be a high priority. Similarly, many PHN sector interventions may have significant effects in other areas, such as worker productivity, economic growth and school performance.

V. PRIORITIZING COUNTRIES AND SUBREGIONS

Achieving USAID's global strategic goals for PHN in a time of serious resource limitations will require particular attention to countries which contribute the most to global population growth, levels of under-five and women's reproductive mortality and serious morbidity, and the spread of HIV infection, as well as to those countries where these health and population-related conditions stand as major impediments to sustainable development.

Consideration will be given to the likelihood that PHN investments will be appropriately and efficiently utilized, and to the level of need for these investments. Consistent with the strategic approach of viewing population, reproductive health, and child health as a single related entity, resource decisions will be made for the sector as a whole, rather than separately for individual program elements.

Countries identified as priority will receive preference in PHN resource allocations, including technical staffing and field support from the PHN center in the Global Bureau.

Operational criteria. Operational criteria will assess the likelihood of impact, and of sustaining that impact. These criteria relate to a number of USAID's activities and may be of importance in achieving impact in this sector. They cover two aspects of "actionability"; one related to the host country environment and one related to the role and presence of USAID sector assistance. Assessment of these factors will rely on the detailed country-specific knowledge and judgement of USAID mission personnel and others with an in-depth knowledge. Factors to be considered include:

Host country environment

- Host country policy environment and political commitment to family planning, child survival, reproductive health, and HIV/AIDS control
- Host country and third party (NGO) institutional capabilities and potential
- Realistic service coverage prospects
- Potential for long-term operational sustainability
- Demonstration potential and replicability
- Leveraging of other donor resources

USAID role/presence

- Protection of prior USAID investment and proven accomplishments
- Potential impact of the planned intervention and expected results of USAID's investment in the country
- Strategic targets of opportunity
- USAID mission staffing capacity or alternative (USAID/Washington, regional or Cooperating Agency) capacity

These factors are not intended to be absolute criteria that must all be met before any intervention can be implemented. However they must be carefully considered and used as an indication of likely impact in a country, and to help determine the types of assistance. These operational criteria will also provide useful information on appropriate programmatic interventions at the country level.

Needs-Based Criteria. Initial identification of countries for sector assistance is aimed at capturing two dimensions fundamental to USAID's strategy.

- The ***magnitude*** of these problems in a given country or subregion with respect to the total global magnitude. Measured in absolute numbers, magnitude variables are indicative of an individual country's contribution to global population and health trends.
- The ***severity*** of these problems. Measured by rates and other population-based variables with standard denominators, severity variables point to conditions within specific countries which hinder development, but may not have sufficient magnitude to have significant global impact.

A set of variables, capturing both magnitude and severity, represent the strategic emphasis within the PHN sector: family planning, child survival, and maternal and reproductive health. Consideration of these two sets of technical criteria will afford equal weighting to magnitude and severity variables.

Because of its epidemic nature, HIV/AIDS prioritization will often need to be considered separately, and will require analysis of a separate set of factors. In some cases,

clusters of adjacent countries with similar cultural, social and epidemiologic factors and high levels of cross-border contacts likely to effect the dynamic of HIV transmission may be most appropriately considered as a block.

VI. MEASURING RESULTS

USAID's *Strategies for Sustainable Development* defines our long-term strategic goal in this sector as contributing to a cooperative global effort to stabilize world population growth. The anticipated near-term results of our efforts over the next decade are: a substantial improvement of women's reproductive health, especially unmet need for contraception; a reduction of child mortality rates by one third; a reduction of maternal mortality rates by one half; and a decrease in the rate of new HIV infections. If successful these efforts are expected to result in a total world population of less than 9 billion by the year 2025, and enable and enhance sustainable human and economic development.

Evaluation must be built in to PHN sectoral activities from the beginning. Each country strategy will include PRISM indicators for monitoring impact. Regular population-based surveys (e.g. DHS) as well as other data collection tools (e.g. situation analysis) will be undertaken for all priority countries to monitor progress. An analysis of trends will be carried out periodically as part of strategy reviews, and each strategy will undergo periodic evaluations and revisions. Host country nationals represented by public and private sector stakeholders are an essential part of good strategy planning. Evaluation should include women's perspectives on quality, accessibility and affordability.

Managing for results and the implementation of USAID's population, health, nutrition and education strategy requires attention to data collection and use and the establishment of program performance monitoring systems. Results should be tied to progress towards the five guiding principles described in the beginning of this annex. Obviously these principles are ideals rather than fully achievable results. In order to monitor the progress towards these goals, there needs to be a clear agenda put forth for the collection and use of data to assess progress, refine implementation and demonstrate achievement of results. Some indicators are presented below, but these are by no means a fully comprehensive list. However, they do indicate important benchmarks on the road towards sustainable development.

Strategic Objective:

Program Impact Indicators:

Program Outcome Indicators:

Reducing Unintended Pregnancies

Number of unintended pregnancies
Total fertility rate
Proportion of fertility which is unintended

Percent of unmet need satisfied
Contraceptive prevalence rate
Couple years of protection

Strategic Objective:

Reducing STI Transmission, including HIV

Program Impact Indicators:

HIV prevalence

Program Outcome Indicators:

Behavioral change including condom use

Knowledge of preventive practices

Availability and quality of STI management

STI prevalence

Strategic Objective:

Reducing Maternal Mortality

Program Impact Indicators:

Maternal mortality ratio (measured every ten years)

Perinatal mortality rate

Program Outcome Indicators:

Percent of births attended by medically trained personnel

Prenatal care coverage

Met need for emergency obstetrical and post-abortion care

Case fatality ratio

Strategic Objective:

Reducing Infant and Child Mortality

Program Impact Indicators:

Under-five mortality rate

Infant mortality rate

Program Outcome Indicators:

Vaccination coverage rates

Percent of children with appropriate case management of acute diarrhea, lower respiratory infections and malaria

Percent of infants exclusively breastfed for first four months

Percent of children with low weight-for-age

To measure progress in these areas, other indicators that monitor the progress of program process are also important. The Global Bureau has devoted resources and personnel to refinement of these indicators over the next year. In the near future, Global will prepare a technical paper with in-depth information on indicators for the PHN sector.

In some cases, additional data will be needed to set priorities, determine activities to be supported, assess the feasibility and impact of various interventions, identify further constraints and report broadly on results. The need is particularly great in newer priority areas, such as reproductive health, especially among young adults, and prevention of HIV/AIDS, where the magnitude of the problem, key interventions and appropriate measures for and nature of change are not yet fully developed. This requires investment in improved methodology and modelling as well as data collection and analysis.

Program performance monitoring and reporting systems will need to be an integral part of all proposed or on-going PHN programs. This requires setting objectives, agreeing upon indicators, determining expected results within finite time periods and examining and

reporting actual results. Much of this is already being done at the country level with bilateral programs. Further work is required to apply these systems to regional or global programs as planned under the new programming and management procedures.



U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT

TECHNICAL ANNEX B:

ENVIRONMENT

I. SETTING PRIORITIES FOR COUNTRY LEVEL PROGRAMS

- A. Country Level Environmental Objectives***
- B. Indicators of Environmental Degradation***
- C. Setting Priorities***

II. ENVIRONMENTAL PROCEDURES

- A. Goals and Approaches***
- B. Institutional Responsibilities***

I. SETTING PRIORITIES FOR COUNTRY-LEVEL PROGRAMS

Based on nearly two decades of experience, USAID has developed a strong program of environmental activities at the country level. These guidelines do not attempt to overhaul USAID's approach. Given the agency's increasingly limited resources and the increasing activity of other donors, however, a more analytical, transparent, collaborative, and participatory process of priority-setting at the country level is required. Simply put, USAID must be able to demonstrate to ourselves and to our stakeholders that we are not trying to do everything, and spreading ourselves too thin to be effective in the process.

Country strategic plans submitted for approval in FY95 and future years should be based on a comprehensive assessment of environmental threats and opportunities, using the priority-setting framework described in this annex. Assessments should address the "Key Factors in the Environment" identified in the main body of these guidelines and, where feasible and appropriate, include targeted research to improve empirical understanding of these factors. Environmental strategic objectives identified in country strategic plans should be selected according to the priorities identified through these assessments.

A. Country Level Environmental Objectives

USAID's Strategies for Sustainable Development identifies two strategic goals:

- *Reducing threats to the global environment, particularly loss of biodiversity and climate change; and*
- *Promoting sustainable economic growth locally, nationally, and regionally by addressing environmental, economic, and developmental practices that impede development and are unsustainable.*

This annex provides guidance on the agency's efforts to pursue the second of these two goals at the country level.

In USAID's core "sustainable development countries" we will pursue three environmental objectives:

- *Safeguarding the environmental underpinnings of broad-based economic growth;*
- *Protecting the integrity of critical ecosystems; and*
- *Ameliorating and preventing environmental threats to public health.*

(Examples are provided in the main body of these guidelines under "Key Factors in the Environment.")

In identifying environmental strategic objectives at the country level, USAID will assess the full range of environmental and natural resource threats and seek to prioritize them against these three objectives. Section C of this annex provides guidance for setting priorities.

USAID pursues its global environmental goals (conservation of biodiversity and mitigation of global climate change) in selected "key" countries, as described in *Strategies for Sustainable Development* and in the main body of these guidelines. This annex does not address these global goals. Separate guidance on USAID's climate change activities can be found in our June 1994 report to Congress, *Global Climate Change: The USAID Response*. PPC and G/ENV intend to provide subsequent strategic guidance on biodiversity.

B. Indicators of Environmental Degradation

The main body of these guidelines identifies "Key Factors in the Environment" that indicate severe environmental degradation. These indicators correspond to the three environmental objectives described above. Where any of these factors are present, USAID will give serious consideration to programmatic interventions that seek to address their root causes.

Many of these factors in many countries are not currently measured. Expert judgement will often be required in lieu of actual data. Moreover, these guidelines include only a limited number of illustrative indicators. For example, measures of fecal coliform concentrations are only one of many indicators of water quality. Again, these indicators should be taken as illustrative and should be applied along with others on a case-by-case basis using expert judgement.

Where data is limited, missions, with support from G/ENV, should seek to work with host country counterparts and other donors to strengthen empirical understanding of these factors through strategically targeted research. For example, research efforts in environmental accounting can produce rough estimates of GDP losses from environmental degradation, which can aid policy-making and priority-setting by host countries, USAID, and other donors.

C. Setting Priorities

USAID, in its core "sustainable development countries," will pursue the three environmental objectives described above by addressing the root causes of high-priority environmental problems that can be effectively and sustainably impacted by our assistance. In preparing country strategies, missions, with support from G/ENV, will assess the full range of environmental threats and identify priorities using the integrated assessment approach outlined below. Where possible, USAID should support priorities identified by host country governments, NGOs, and other donors through participatory processes, such as National Environmental Action Plans. At minimum, relevant government agencies and a broad range of NGOs should be involved in USAID's priority-setting exercise.

USAID missions are expected to evaluate -- at least qualitatively -- the severity of environmental problems in terms of the three environmental objectives identified above. Environmental strategic objectives in country strategic plans must relate to at least one of the three objectives. Country strategic plans must also describe how a chosen priority relates to the activities of other donors and how sustainable impacts can be assured through domestic policies, priorities, and resource allocations. If a mission concludes that it cannot pursue an environmental strategic objective, it should consider opportunities to address priority environmental issues through its pursuit of strategic objectives in other sectors (e.g. support for environmental advocacy NGOs, support for economic policy reforms that encourage sustainable management of natural resources).

USAID regional bureaus may prepare regional strategies that provide further guidance for country strategic plans. Regional strategies should also demonstrate an integrated response to the three objectives described above -- safeguarding the environmental underpinnings of broad-based economic growth; protecting the integrity of critical ecosystems; and preventing environmental threats to public health.

Missions' assessments of environmental priorities should include the following three steps: (1) assess the relative severity of environmental problems according to USAID's three country-level environmental objectives; (2) evaluate the potential effectiveness and sustainability of strategies available to address these problems; and (3) identify USAID's best opportunities for sustainable impact. These steps should be regarded as sequential screens that result in the identification of priority environmental problem areas that USAID can address effectively and sustainably. This analysis should form the basis for the selection of environmental strategic objectives in country strategic plans.

Guidelines for this three-step analysis follow. Missions are encouraged to experiment and adapt this analytical framework to serve their needs and circumstances.

Step 1: Assess the relative severity of environmental problems according to USAID's three country-level environmental objectives.

Setting country-level environmental priorities begins with an assessment of which environmental problems represent the most severe threats to economic growth, critical ecosystems, and public health. The nature of this assessment can range from a quick and inexpensive synthesis of existing information, stakeholder opinion, and professional judgment, to a formal comparative environmental risk assessment including targeted research. USAID country assessments will likely fall in between these two extremes, involving a multi-week focussed assessment by an inter-disciplinary team of experts, but typically not involving new research. In any case, the relative severity of environmental problems will typically be classified no more precisely than "high," "medium," "low," "tolerable," or "uncertain."

Figure 1 presents a suggested format for assessing the severity of environmental problems according to USAID's three environmental objectives. The examples of environ-

mental impacts and their levels of severity are only illustrative, and the cutoffs between problem classes (high, medium, low, tolerable) are somewhat arbitrary. Thus, the scheme is not intended to be followed rigidly but should assist missions in constructing their own frameworks to prioritize among disparate environmental issues.

Environmental problems classified "high" under all three objectives would rank highest in an integrated assessment, followed by those ranked "high" under two objectives, and so on. As a general rule, a problem ranked "high" under any single objective or as intolerable (high, medium, or low) under more than one objective should be thoughtfully considered. Missions may also want to weight certain problems according to their impacts on particular human populations (e.g. women, indigenous peoples, the poor) or productive sectors (e.g. leading exports, major food crops) of special interest to USAID or the mission.

The relative severity of problems need not necessarily dictate environmental priorities and assistance strategies. Some severe problems may be intractable or so costly to ameliorate that greater environmental benefits may flow from tackling problems of lesser magnitude. Conversely, some problems may rank low in severity precisely because prior investments in environmental management have been effective. Maintaining such investments may thus be judged a high priority. Finally, assessing the relative severity of environmental problems should not dictate the strategic means of assistance (e.g., human resource development, institutional capacity building, policy reform, technology transfer, etc.). These considerations should be addressed in the subsequent two steps of the analysis.

Step 2: Evaluate the potential effectiveness and sustainability of strategies available to address the most severe problems.

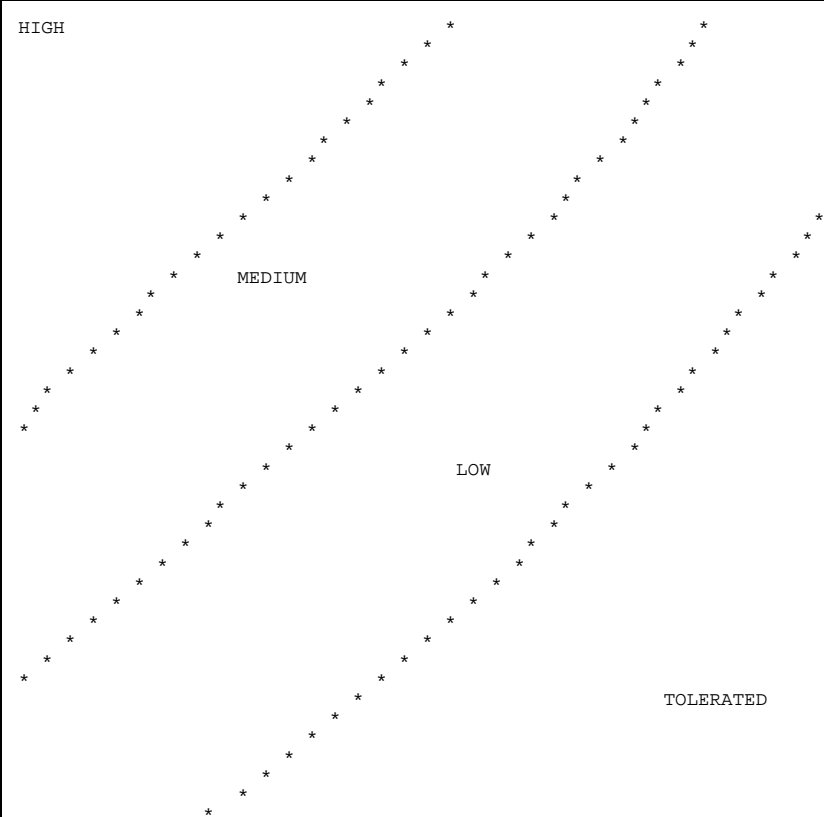
The purpose of this step is to identify the major problems that may be addressed most effectively and sustainably, beginning with an evaluation of the environmental problems classified as most severe. This analysis will rely on the technical judgement of USAID's assessment team and their consultations with relevant in-country stakeholders. Consideration should be given to technical, institutional, policy, political, social, financial, and other constraints in the host country environment. The chapter on "Protecting the Environment" in *Strategies for Sustainable Development* and G/ENV's strategic plan both provide general guidance on the types of interventions appropriate for different environmental priorities (sustainable agriculture, urban and industrial pollution, energy, natural resources management). Subsequent guidance may clarify and update existing policies and guidance on programmatic approaches to these issues.

Cost-effectiveness may be considered as a criterion for comparing available strategies to address competing environmental priorities of similar severity. However, environmental planning should not be held hostage to present costs of environmental protection since, in many cases, the cost-effectiveness of environmental management will improve over time as the learning curve rises. Missions should pay particular attention to the sustainability of alternative strategies from financial, institutional, and political perspectives.

Step 3: Identify USAID's best opportunities for sustainable impact.

The final step in the assessment process focusses on USAID's comparative advantages in addressing competing environmental priorities. Mission staff, in consultation with USAID/W, will need to take primary responsibility for this step. Missions should evaluate USAID's technical capabilities to address the priorities that emerge from the first two levels of analysis (severe environmental problems that can be effectively and sustainably addressed). This evaluation should also include consideration of the existing and planned programs of other donors and their comparative advantages.

Figure 1. Suggested format for assessing the severity of environmental problems.

Potential Consequences				Certainty/Frequency of Occurrence			
Hazard Level	Human Health	Ecosystem Damage	Monetary Loss	High Repeatable	Moderate Several Times	Low Occasional	Remote but Possible
Catastrophic	Hi mortality (5% total life-years lost), prolonged epidemic, wide-spread injury	Complete, irreversible loss of critical habitat or critical ecosystem function	>5% GDP				
Critical	Moderate mortality (2-5% total life-years lost), hi illness or injury (5% total)	Widespread conversion of critical habitat, loss of keystone species, substantially impaired ecosystem function	2-5% GDP				
Marginal	Low mortality (1-2% total life-years lost), moderate illness or injury (2-5% total)	Moderate but reversible degradation of critical habitat or ecosystem function	1-2% GDP				
Negligible	Negligible mortality (<1% total life-years lost), low illness or injury (2-5% total)	Alteration of noncritical habitat, slight or quickly reversible damage to few species or ecosystem function	<1% GDP				

II. ENVIRONMENTAL PROCEDURES

The Environmental Strategy Paper states that "USAID will strengthen its institutional capacity to ensure that all Agency-supported efforts, whether projects or program-related investments, are environmentally sound. Where necessary, it will require mitigating measures or project redesign. Ensuring the environmental soundness of every USAID program, project, and activity is a prerequisite for sustainable development. It is also a legal obligation under the agency's regulations."¹

A. Goals and Approaches

These regulations will continue to provide the legal and policy framework to ensure that all activities undergo appropriate environmental analysis. Environmental officers and advisors will provide leadership and technical expertise, but responsibility for the success of the process will belong to every officer in the agency. Environmental work will continue to be done at the earliest practical point in the project identification and design process and be fully integrated. This allows for full integration of environmental and other project objectives and minimizes possible delays in project approval. While not formally required in USAID's regulations, the agency as a matter of policy will pay particular attention to ensuring the development, implementation and monitoring of appropriate plans to mitigate environmental impacts. Similarly, while not required under USAID's regulations, the agency will seek to undertake environmental analysis at the programmatic and sector level.

USAID will seek to assist host governments in creating the capacity to undertake high quality environmental impact assessments (EIA) of all development programs. USAID's country strategies will examine opportunities and where feasible support activities to strengthen local laws and regulations on EIA, train regulatory officials in EIA techniques, and strengthen public participation in the EIA and project design process. USAID will use its own environmental assessments (EAs) and environmental impact statements (EISs), where required, as models and training opportunities. USAID will also seek to assist other donors and lending institutions to strengthen their EIA procedures with a goal of helping them to match USAID's own standards. Weak environmental procedures within other donor agencies and lending institutions undercuts the efforts of USAID's and its partners. Absolute harmonization of EIA standards would be unworkable, and probably unwise. However, comparable standards are essential.

USAID will strengthen public participation in the EIA process, in keeping with the agency's strengthened commitment to participation and democracy. USAID will ensure that interested and affected peoples -- both women and men -- are consulted in the process of preparing EAs and EISs and that they have an opportunity to review and comment on the draft document prior to final approval by the Bureau Environmental Officer. USAID will also seek to consult with and provide draft environmental documentation to interested parties in the U.S.

¹ 22 CFR § 216 codifies USAID's procedures "to ensure that environmental factors and values are integrated into the A.I.D. decision making process." These regulations are consistent with Executive Order 12114 ("Environmental Effects Abroad of Major Federal Actions") and with the purposes of the National Environmental Policy Act (NEPA).

President Clinton has asked the National Security Council in PRD-23 to chair an inter-agency review of the Administration's policy on the applicability of the National Environmental Policy Act (NEPA) to Federal actions abroad. NEPA provides the statutory framework for EIA by the Federal government. USAID's own environmental procedures resulted from the 1975 settlement of a lawsuit concerning the agency's compliance with NEPA. PPC is representing USAID in the inter-agency process under PRD 23 and will take the lead on any changes that may be needed in 22 CFR § 216 as a result of this review.

B. Institutional Responsibilities

Responsibility for USAID's environmental procedures will be shared among missions, regional bureaus, G, BHR, PPC, GC and other operational units that manage programs, projects, or activities:

- Missions and other operational units will continue to be responsible for compliance with the environmental procedures in the activities that they manage. After approval of environmental documentation, Missions will be responsible for implementation of any resulting decisions or mitigation measures. Missions will also assess compliance with the environmental procedures in all interim and final project evaluations.
- Each regional bureau, G, and BHR will appoint a Bureau Environmental Officer to oversee, and provide technical support for, compliance with the procedures, and to approve environmental documentation pursuant to the procedures.
- PPC will oversee implementation of the procedures across bureaus and resolve disputes or other issues concerning the procedures.
- GC will appoint an attorney to be the agency's principal legal advisor on 22 CFR § 216.22.



U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT

TECHNICAL ANNEX C:

DEMOCRACY

I. INTRODUCTION

III. DEVELOPING A COUNTRY DEMOCRACY PROGRAM

III. PROGRAM PRIORITIES

IV. IMPLEMENTING PROGRAMS

V. MEASURING RESULTS

Tables

1. Considerations in evaluating specific program activities

2. Democracy Program Options

I. INTRODUCTION

This guidance is designed to assist USAID personnel in identifying democracy-sector strategic objectives and in formulating action plans that incorporate democracy sector projects in sustainable development countries. In addition, the guidance should assist in the development and implementation of democracy sector activities in nonpresence countries, notwithstanding the lack of formal assessments undertaken and the different standards for measuring results in such situations.²

Use of the term "democracy promotion" in this guidance covers a broad range of activities, but establishes as priorities those aimed at initiating or enhancing:

- *unrestricted political competition at the national and local levels;*
- *respect for the rule of law and fundamental human rights;*
- *effective, transparent and accountable governance structures; and*
- *popular participation in decision making by all sectors of civil society.*

In this context, the macro-institutional and the micro-grassroots aspects of democracy promotion are two sides of the same coin and must be addressed in tandem.

Programs in other sectors where USAID provides assistance also should be evaluated for their potential impact on democracy and governance concerns. Specifically, every USAID program should:

- *expand the participation, initiative and empowerment of the population, particularly women and minorities;*
- *improve access to and information about policy and regulatory decisions among all sectors of the population;*
- *enhance reliability and responsiveness of governance institutions; and*
- *help open policy dialogues.*

USAID appreciates the special political sensitivities involved in democracy promotion work, the wide variation of potential project designs, the time pressures that often dictate the nature of specific programs and the difficulties in measuring results in a meaningful manner. Consequently, the guidance does not prescribe the type or sequence of democracy promoting activities for every country. On the contrary, experimentation in this sector is encouraged.

At the same time, USAID experiences in democracy promotion activities, while less extensive than in other fields, are not inconsequential. Prior USAID activities provide the foundation for an understanding of what constitute best practices in democracy and governance. This experience underscores the need for the following:

² This guidance elaborates on the USAID strategy "Building Democracy," issued in January 1994, and the earlier 1991 Democracy and Governance Paper. The earlier documents provide the broad philosophical framework for agency efforts to promote the strengthening of democratic institutions worldwide. This guidance is designed to help USAID personnel choose from among programmatic alternatives.

- integrating democratic approaches in other sectors, and other sectoral concerns in democracy, to address jointly the principal constraints to sustainable development;
- enhancing partnerships with NGOs, host country institutions, other USG agencies, and other donors;
- anchoring these relationships in coherent programs, rather than limited projects;
- tailoring programs to the local context;
- responding to and building upon local commitment;
- securing the support of local leadership and ensuring that groups within the host country initiate political developments; and
- improving systems for measuring results and impact through democracy programs, rather than merely monitoring inputs and outputs.

Notwithstanding the increased agency involvement in this sector since 1990, review of USAID experience highlights several shortcomings in the delivery of democracy programs. Political and bureaucratic constraints have deterred the agency from working directly with local NGOs, although this has been less true in Eastern Europe and the former Soviet Union. Protracted implementation delays, often due to contracting backlogs and clearance requirements, have reduced the impact of the assistance provided, particularly in transition situations. Also, US domestic considerations have driven programs that overestimate the potential impact of the US government contribution and ignore the local dynamics of political change. Lastly, the difficulty with measuring success occasionally has resulted in the premature abandonment of democracy programs or sustaining them in circumstances where they have not proven effective.

II. DEVELOPING A COUNTRY DEMOCRACY PROGRAM

Democracy programs should be integrated with and contribute to USAID's general development goals. This will require overcoming long-standing political constraints to sustainable development. Identifying these constraints orients the Agency toward a more clear set of democracy objectives. Specifically, USAID will work to achieve the following:

Liberating individual and community initiative. The expansion of vibrant self-governing associations in civil society is both desirable as an end and critical as a means for achieving broader development objectives. Moreover, local action is most effective when demands are aggregated vertically and horizontally so that local interests and communities can influence national policy.

Increasing political participation. In many countries, large segments of the population are politically and economically excluded. These individuals or groups are easily exploited by officials and elites who control them by patronage and coercion. Democratization must be defined as creating the means through which the political mobilization and empowerment of such individuals and groups is possible.

Enhancing government legitimacy. A narrow political base often combines with poor economic conditions and social divisiveness to limit the legitimacy of governments. Authoritarian traditions and the experience of nationalist movements has provided little understanding of or sympathy for the concept of political checks and balances. Opposition and treason are easily confused, especially by politically weak governments. A constitutional order must emerge that allows for dissent, but also for effective government action. Indeed, particularly in transition situations, a government must produce effective, broad-based growth to retain legitimacy.

Ensuring greater accountability among government officials. Corruption and abuse of human rights, and the constraints alluded to above, destroy the potential for sustainable development by violating the freedom and undermining the initiative of those outside government. To avoid the inevitability of such abuses, mechanisms must be in place to ensure that powerful government actors serve the broad public interest rather than their own concerns. Honest, fair and efficient implementation of laws, regulations, and public investments is possible, however, only where civil servants, police, and the military are held accountable by independent judiciaries, elected representatives and informed, educated constituents.

Creating the means for public deliberation of issues. In nearly all societies, distinct consensus building models form an important part of traditional political processes. However, authoritarian regimes and economic decline seriously undermine these mechanisms. When solutions are imposed from above, opposition forces are not consulted and the sustainability of development progress often proves elusive because citizens have failed to forge a durable agreement on difficult problems. Increasing the capacity and representativeness of democratic forums facilitates agreement on important policy and implementation issues.

Promoting peaceful resolution of conflicts. Intra-societal conflict -- political, economic, cultural, or religious -- destroys the stability on which sustainable development depends. Repression has proven an ineffective means for containing conflict, since when the repression is reduced, highly destabilizing, often violent confrontations result. To the extent feasible, mechanisms for managing and resolving conflicts must be sought through improved mediation and arbitration mechanisms, as well as by creating and maintaining formal rule structures that are broadly accepted in society.

The listing of these objectives highlights the multitude of existing constraints in the political arena, and suggests that no single need may be paramount. Rather the list provides a starting point for building democracy programs at the country and regional level. *Focusing on a manageable number of objectives, however, is critical, and limiting assistance to those activities that are most likely to accomplish the broad development objectives is fundamental.*

Decisions on priorities for democracy and governance programs will be specific to each country; however, some common themes and considerations are suggested by USAID's overall level of involvement in a country. Specifically, USAID will conduct democracy programs in the following three settings:

- *sustainable development countries*, where USAID will provide an integrated package of assistance - these countries will be designated by USAID/W based, in part, on democracy and human rights performance considerations;

- *countries emerging from dire humanitarian crisis or protracted conflict*, where the short-term emphasis will be on developing or safeguarding the basic elements of a democratic political culture, including respect for human rights, the existence of independent groups, and setting the stage for political institution building; and
- *other countries*, where US foreign policy interests or other global concerns -- such as refugee flows, gross human rights abuses and the demonstration effect of democratic progress -- warrant small scale programs, notwithstanding the lack of USAID field presence.

Considerations for developing programs in each of these settings are detailed in the following three sections.

A. Sustainable Development Countries

The sustainable development category includes countries at very different levels of political development. Some are ruled by autocratic regimes, but will permit the occurrence of some independent political activity. Other countries have begun a transition process, with the pace varying from countries on the verge of multi-party elections to countries where a phased transition will take several years. A third category includes countries that have completed the initial transition phase, usually with a fairly conducted election, and are beginning the phase of institutional consolidation. Finally, a few countries may have established democratic institutions, but these institutions are threatened by other constraints on sustainable development.

Once a country is designated for sustainable development support, the mission should **review or develop** the country strategy. In circumstances where only review of an existing strategy is required, action plans for democracy programs should be formulated, to the extent feasible, in accordance with this guidance.

Traditionally, mission strategies have relied on field assessments performed on a sectoral basis. In the democracy sector, assessments have ranged from lengthy, multi-person field assessments analyzing all aspects of political development in a country to simpler assessments conducted by mission staff or a contractor in response to a discrete political development. In any event, the imperative of conducting an assessment should not preclude missions from responding to immediate democracy needs once initial approval has been received from USAID/W.

As part of or as a follow-up to the initial assessment process, missions may consider establishing ad hoc, local consultative groups, comprising individuals with diverse backgrounds and relevant expertise, to help formulate the strategy for democracy promotion and to identify priority areas for USAID support. Where appropriate, the group's status can be formalized and expanded to include reviewing proposals and evaluating programs.

In identifying strategic objectives in the democracy sector, the following elements should be considered:

First, define the political context of the country in question and identify the type and impact of previous democracy sector programs (if any) initiated by USAID or other donors.³ Relevant information can be derived from interviews with government and NGO representatives, diplomats, scholars and journalists, including those outside the capital area and those not normally recipients of USAID assistance. Since successful democracy programs build upon local commitment, particular attention should be paid to evaluating nascent local institutions and indigenous demand for USAID support.

Second, review the activities of other organizations involved in democracy programming. Potential actors may include international organizations (e.g., the United Nations, the Organization of American States, the World Bank, and the CSCE), bilateral donors, other U.S. Government agencies (e.g., the U.S. Information Agency, the Department of Defense, and the Department of Justice), international NGOs (particularly US-based), and local NGOs. The objective is to avoid duplication of efforts and to present consistent and mutually reinforcing messages within the host country. In this context, USAID personnel should actively participate in the USG Country Team responsible for democracy and human rights.

Third, generate a list of potential opportunities in democracy programming and assess the probable impact of each in promoting democratic change and achieving sustainable development goals. This should influence types of activities selected and the amounts budgeted for them. Table 1 lists a series of questions to consider in evaluating specific program activities.

In establishing priorities and determining the sequencing of USAID support, the following analytic framework should be utilized:

- Are the basic elements of a democratic political culture -- including respect for fundamental human rights, political space for independent groups, freedom of the press and the emergence of broad comprehension regarding the rules of political competition -- established? If not, support might appropriately be directed toward human rights groups and other NGO organizations promoting democratic change, including labor unions and the independent media;
- Are the basic institutions necessary for democratic governance in place? If not, support might be targetted at developing a constitutional framework, a competitive and meaningful electoral process, and legislative and judicial institutions necessary for the adoption and enforcement of laws and policies;
- Is there a system of effective and transparent public institutions and are public officials accountable to the citizenry? If not, assistance might be provided to help reform the governance infrastructure in accordance with democratic norms; and
- Does the nongovernmental sector have the capacity to engage in meaningful public policy review and to monitor effectively the activities of government institutions? If

³ Variables to consider might include: the stage of democratic evolution; the basis of government; economic conditions; the security situation; the role of the military in the government; the level of engagement of civil society; the country human rights performance; the role of women; the government's attitude towards political reform; government transparency, accountability, and effectiveness; and other cultural and social factors determined to be relevant.

not, support might be provided to the independent media and civic action groups, and to promote the establishment of cross-border and cross-sectoral networks of NGOs.

The framework suggests, but does not prescribe, the appropriate mix and succession of potential program interventions. For example, a determination that the major obstacle to democratization is the absence of a viable democratic political culture does not preclude program interventions in the other areas. However, deviations from the presumptions established by the framework should be explained.

Once the overall strategy or action plan is approved by AID/W and budget allocations set, program activities should begin as soon as possible. Because democracy promotion activities are particularly time sensitive, USAID/W will be favorably disposed to requests for expedited treatment of new democracy programs.

B. Specially Designated Transition Countries

As suggested above, many democratic transitions occur in countries where USAID missions already exist. In addition, a select number of countries will be designated for handling by USAID's newly-formed Office of Transition Initiatives (OTI), which is sited alongside the Office for Foreign Disaster Assistance in the Bureau of Humanitarian Response.

Given the foreign policy implications involved, designation of focus countries for OTI will follow inter-agency discussions. Situations entailing negotiated settlements of protracted conflicts and where political transformation ranks particularly high among US foreign policy goals are prime candidates for OTI involvement. Frequently, such transitions share common elements, including:

- humanitarian concerns;
- disrupted economies and damaged infrastructures;
- heavily militarized societies;
- an imperative to return home dislocated populations, including demobilized soldiers;
- ambitious plans for swiftly erecting democratic institutions; and
- urgent appeals for international support.

OTI's principal efforts will include: rapid assessments of a transition situation; implementation of programs in response to urgent short term needs; and facilitation of a coordinated US government and international donor response. Initial OTI services will be concentrated in the following areas:

- reestablishment of the rule of law, including local security and mechanisms for resolving disputes peacefully;
- restoration of political and social infrastructure, including local government bodies responsible for providing social services; and
- demobilization and reintegration of ex-combatants, including employment, housing and retraining programs.

OTI involvement in a country will generally be short-term. In some instances, specific political developments -- such as constitution drafting, a national referendum or an election--

may signal the end of OTI's role. In instances where the political institution building that OTI initiates carries forward into the future, OTI will strive to transfer full responsibility for programs to a mission or regional bureau within a fixed time period.

C. Non-Presence Countries

In recognition of moral and political imperatives associated with expanding and consolidating democratic governments, USAID will continue to offer limited support for modest democracy programs in countries where no USAID mission is present. The U.S. country team may request such assistance or a request may be made directly by a local NGO to USAID/W or to an international NGO operating with USAID support.

Programs in nonpresence countries will include support for transition elections and for local organizations promoting or monitoring respect for human rights, conducting civic education programs and encouraging broader participation in political affairs. Generally, these programs will be implemented by NGO partners through core grants or through Global Bureau projects to support small scale democracy activities in non-presence countries.

Planned democracy activities in a non-presence country must meet general requirements for all democracy programs (*e.g.*, high impacts, high benefit/cost ratio, USAID technical capabilities, etc.). Those proposing the program must demonstrate that other donors, including the National Endowment for Democracy and private foundations, are unable to provide necessary funds. Additional criteria that might justify such activity include: unique opportunity; substantial multiplier or demonstration effect (including in other sectors and other countries); broad-based interest in addressing issue of particular importance to the US (*e.g.*, narcotics or immigration); and USAID comparative advantage in the particular program area. Finally, implementation of the program must be possible in a manner that guarantees financial accountability and provides mechanisms for measuring results.

III. PROGRAM PRIORITIES

USAID democracy promotion activities are not limited to a narrowly prescribed activity list. Democracy promotion is too context specific for such an approach to work. Moreover, circumstances may require that a mission take advantage of emerging opportunities or respond to specific exigencies (including extreme poverty and other unmet human needs). Table 2 identifies the different types of potential USAID program interventions.

With the above caveats in mind, USAID democracy programs will focus on the following four areas:

- *promoting meaningful political competition through free and fair electoral processes;*
- *enhancing respect for the rule of law and human rights;*
- *encouraging the development of a politically active civil society; and*
- *fostering transparent and accountable governance.*

These focal areas represent strategic sub-objectives in the democracy sector. Project interventions should be designed to meet a particular sub-strategic objective in a reasonable timeframe. Focus on a specific sub-strategic objective, however, does not imply that the four areas are not inter-related and that projects will have impact in only one area. Indeed, in many cases, properly designed projects will contribute to progress in all four areas and should be measured accordingly.⁴

Moreover, countries plans should consider programs that simultaneously bolster more than one core element of sustainable development. Some of the more obvious opportunities for synergies include:

- working on specific local concerns (*e.g.*, land and water distribution, pest control, forestry) in an integrated manner that assures participation by all affected sectors and that creates a sustainable institutional framework;
- supporting legal reform in the regulatory, financial and economic fields;
- developing mechanisms for informed political debate on economic, environmental, education and health issues;
- pursuing curriculum and pedagogic reforms that instill democratic values and improve the quality of education;
- assisting new advocacy NGOs working in environment, education, and health policy; and
- empowering local organizations to participate in local politics and to enter the national policy dialogue.

In many instances, these projects should **not** be attributed to the democracy sector for budgetary allocation purposes, but their impact on democracy performance should be measured throughout the life of the project.

A. Electoral Processes

The initiation or conduct of an electoral process provides an opportunity for democratic forces to organize and compete for political power. Thus, requests for assistance in support of an electoral process deserve special consideration. Moreover, the critical role that elections play in the democratization process justify USAID support even when fraud or administratively improprieties are deemed possible. In such circumstances, an *a priori* determination must be made, in consultation with the democratic forces within a country,

⁴ In program areas where USAID has considerable experience, a growing body of knowledge exists regarding how best to support democratic political development. For example, USAID efforts in the areas of rule of law and election support have been evaluated, lessons have been learned, and guidance has emerged that can assist in implementing these types of programs. *See, e.g.*, H. Blair and G. Hansen, *Weighing In On The Scales of Justice: Strategic Approaches for Donor Supported Rule of Law Programs*, USAID Center for Development Information and Evaluation, USAID 1994; D. Hirschmann and J. Mendelson, *Managing Democratic Electoral Assistance: A Practical Guide For USAID*, USAID 1993.

whether the assistance in question will benefit the democratic cause or will merely legitimize a corrupt process. These issues should be the subject of constant review with the country team and USAID/W in the period preceding the election.

Given USAID's emphasis on sustainability, electoral support should be directed at enhancing local capacity. *With this in mind, training and technical assistance is preferred over commodity transfers, and development of domestic monitoring capabilities should take precedence over support for international observer efforts.* Also, establishment of a respected, permanent national electoral commission and encouraging meaningful participation among all sectors of the population merits particular USAID backing.

In designing electoral assistance programs, the following points should be kept in mind:

- USAID should not provide *unconditional* assistance where electoral processes appear flawed or where segments of the population are denied participation;
- electoral assistance should be provided at an early stage in the process to ensure effective usage;
- requests for high priced, state of the art electoral commodities are often unsustainable and technologically inappropriate, and raise the specter of large scale corruption;
- effective participation by political parties are critical to the success of an electoral process, although USAID must be particularly scrupulous in avoiding even the perception that it is favoring a particular candidate or party through the provision of financial or technical assistance;
- campaign periods provide an excellent opportunity for developing nongovernmental organizational capacity through civic education and election monitoring programs; and
- a programming commitment to a successful election should not skew resource allocations to the extent that funds are unavailable for post-election activities.

B. Rule of Law

A democratic society requires a legal framework that guarantees respect for citizen rights and ensures a degree of regularity in public and private affairs. Corruption and abuse of authority have an obvious impact both on economic development and democratic institutions. Finally, effective public administration is essential to enhancing popular support for democracy.

Rule of law programs form an integral part of a democracy strengthening strategy. USAID experience with rule of law programs suggests the importance of promoting *demand* for effective administration of justice (*i.e.*, coalition building to support legal reform, guaranteeing access to the legal system, assisting human rights groups that monitor government performance and represent victims of abuse, and encouraging development of alternative dispute resolution mechanisms), as well as the more conventional *supply* side activities, (*i.e.*, legal reform and institution building). Supply side programs are however much more

dependant on a government demonstrating the requisite political will, which must be monitored throughout the life of project.

While the breakdown of law and order is a real threat to democracy, USAID must exercise considerable care in developing programs that support police forces. Specifically, the government must demonstrate a commitment to discipline those responsible for human rights abuses and to take other appropriate steps to ensure that the police forces are accountable to the democratic government. At the same time, a holistic rule of law program may, and often should, include a police assistance component, in addition to the more traditional support for judges, prosecutors, defense attorneys, human rights groups and an independent media.⁵

C. Civil Society

A vibrant civil society is an essential component of a democratic polity and contributes to the overall agency goal of promoting sustainable development. The concept of civil society, however, covers a broad swath. Thus, USAID democracy programs designed to strengthen civil society generally should focus on support for organizations (established or in formation) that:

- engage in civic action to promote, protect and refine participatory democracy;
- encourage deliberation of public policy issues;
- monitor government activities; and
- educate citizens about their rights and responsibilities.

This formulation includes public advocacy groups, labor unions, independent media institutions, politically active professional associations, human rights and good governance organizations, and local level associations and institutions that tend to aggregate and articulate their constituents needs. At the same time, the formulation discourages democracy sector attribution of USAID assistance for service organizations and local associations -- including health care providers, producer cooperatives, water-user and community based forest management associations, and similarly oriented groups -- unless the support is designed to accomplish one of the specific goals listed above. Instead, USAID assistance to these organizations should be justified as contributing to the achievement of other agency strategic objectives, while recognizing the important spill-over consequences for the democracy sector.

USAID civil society programs incorporate training components, other forms of technical assistance and, in appropriate circumstances, financial support to the types of organizations listed above. *Because the concern is the development of a democratic polity,*

⁵ In addition to the guidance contained in this document, those developing rule of law programs should refer to the USAID Rule of Law Policy Guidance Paper issued in November 1994 and to H. Blair and G. Hansen, *Weighing In On The Scales of Justice: Strategic Approaches for Donor Supported Rule of Law Programs*, USAID Center for Development Information and Evaluation, USAID 1994.

USAID assistance should also be directed towards reform of laws that prevent or deter the formation of independent groups.

The potential long-term viability of local organizations is an important criteria for USAID assistance. However, given the dynamics of a transition situation, this emphasis should not preclude support for organizations that emerge in response to particular political development needs and that may disappear after the principal political goals of the organization have been achieved.

D. Governance

The promotion of good governance has become a major theme among all donors. In large measure, this reflects recognition of the fact that corruption, mismanagement and government inefficiency are inextricably linked with poor development performance. The challenge for USAID is to design good governance programs that are consistent with the broader goal of promoting true political liberalization.

For USAID, the emphasis in good governance is on promoting transparency and accountability of governments in policy making and resource use. Projects and nonproject assistance may involve:

- support for executive branch ministries to plan, execute and monitor budgets in a more transparent manner;
- strengthening legislative policy making, budget and oversight capabilities;
- decentralizing policy making by working directly with accountable local government units; and
- supporting independent media and nongovernmental organizations.

Because of the programming emphasis of other donors, most notably the multilateral development banks, USAID will give less emphasis to public sector management and civil service reform.

IV. IMPLEMENTING PROGRAMS

Successful programs in the democracy sector require not only a clear understanding of the political, social and economic circumstances in the host country, but also an implementation plan that utilizes the following principles:

- ensuring participation of local groups in strategic planning and program development, design, implementation and evaluation;
- incorporating the concerns of women and other minorities from the strategic planning through the evaluation phases;
- pursuing program implementation in a consciously nonpartisan manner;

- relying on trainers and resource persons from different countries, representing varying democratic practices, rather than relying exclusively on U.S. nationals and models of U.S. government structures and practices; and
- utilizing approaches that emphasize sustainability and local empowerment over attainment of short-term performance targets.

USAID recognizes adherence to these principles is labor intensive and that adequate and appropriate personnel must be assigned by both USAID and the missions to ensure they are carried through.

A. Timeframes

Most democracy programs require patient, long-term commitment. In some instances, however, democracy activities need not have a long life span. Some programs will be completed in less than a year, either because objectives have been achieved (*e.g.*, registering voters, conducting an election, developing a civic education program), another donor has assumed responsibility for the activity, or the supported organization has used the assistance to develop a sustainable capacity (*e.g.*, labor unions, political parties and NGOs). In other instances, multi-year programs are required to ensure an initiative continues through a turbulent period (*e.g.* promoting legal reform) or because an objective can not be accomplished quickly (*e.g.*, institutional strengthening of a new legislature, a new court system or local governments).

Because the political situation in a country may shift suddenly, democracy programs should be monitored and evaluated throughout their duration. The PRISM framework and country team reviews provide a basis for conducting such on-going evaluations. Where necessary, missions should consider reorienting or closing down a program. Eliminating specific projects should not be avoided simply because of sunk investments, as maintaining a project may legitimize a corrupt or human rights abusing regime or may involve wasting scarce resources.

B. Partners

Democracy programs may be implemented through contracts, cooperative agreements or grants with host governments, intergovernmental organizations, other U.S. government agencies, U.S. based and local NGOs, and private sector organizations. USAID policy encourages partnerships with the full range of nongovernmental entities, both U.S. based and local. *This is particularly important in the democracy area, where strengthening nongovernmental entities directly serves the goal of democratization.*

Development success will not be possible without the active participation of local individuals and communities. To achieve this objective, missions should maintain open and constructive dialogues with local groups (USAID grantees and others). Formal mechanisms for joint analysis of development problems with the local NGO community should be established.

USAID's relationship with US and local NGO partners reflects a dynamic, complex collaboration. To ensure implementation of integrated country strategies, USAID often

requires the services of NGOs with technical expertise and periodic consultations once program activities are underway. At the same time, USAID should not micro-manage or exert excessive control over program implementation, as this may compromise the independence of the NGO and might identify US government policy too closely with the viewpoint of the NGO.

Special attention should be paid to creating cross-border and cross-sectoral networks of NGOs as a means to strengthen civil society. Contacts will allow indigenous NGOs to transcend local arenas and avoid "reinventing the wheel." One way to encourage contacts is to promote electronic networking via telephones, electronic mail and conferencing. Such networking is well advanced within the U.S. NGO community and is growing rapidly in Latin America.

Where appropriate, USAID should implement democracy programs through direct partnerships with local NGOs. In selecting partners, USAID should seek to identify those groups whose programs will contribute toward long-term sustainable democracy and whose internal makeup reflect basic equity criteria. In working with partners, USAID should recognize their institutional limitations and develop mechanisms for enhancing their capacity, including the ability to meet accountability requirements imposed by USAID. In some cases, USAID's partner may be a consortium of NGOs, allowing groups to build on economies of scale. USAID should avoid exclusive reliance on NGOs that have become the focus of all donor activities, unless circumstances dictate otherwise.

Several U.S. based NGOs have developed particular expertise in democracy promotion activities and thus should be considered as potential partners for specific interventions. In selecting U.S. based NGO partners, bureaus and missions should consider the following factors:

- prior experience with similar programs, including past successes in leaving behind a sustainable component;
- ties to local counterparts and potential impact upon strengthening local civil society;
- knowledge of the country - people, history, groups in civil society and public institutions;
- dedication to local capacity building;
- in-house expertise in specific subject areas;
- willingness to place field representatives on the ground for extended period and past experience supervising work of field representatives;
- previous record in implementing USAID programs, including achievement of objectives and meeting reporting requirements; and
- projected cost involved in implementing a specific project.

Host governments are normally the direct beneficiaries of democracy funding where the objective is to strengthen government institutions. In providing direct assistance to governments, the mission must ascertain that the requisite political will exists to ensure project objectives can be achieved. Local NGOs may prove useful partners in monitoring such programs and in explaining programs to the public.

USAID will provide funds to **international organizations** directly involved in democracy promotion activities, where their objectives coincide with those of USAID and

proposed activities cannot be easily replicated by NGOs. This includes efforts to coordinate donor or nongovernmental activities, for example, during election periods. International organizations receiving USAID funds must be held to reasonable accountability and performance standards.

Subject to existing law establishing a preference for the private sector and NGOs in implementing programs utilizing development assistance, USAID will transfer funds to *other U.S. government agencies* for democracy initiatives. Their proposed work must be consistent with USAID's approved strategy and welcomed by the host country partner. The agency also must be uniquely qualified to achieve the identified objectives and must have the capability to manage the program and exercise appropriate financial oversight.

C. USAID Capacity

The establishment of a Democracy Center in the Global Bureau will allow USAID to better service field missions in implementing democracy programs. In particular, Global Bureau personnel with relevant expertise will conduct assessments, help with project design, provide technical backstopping and assist with evaluations. The Democracy Center also will manage a limited number of programs in "nonpresence" countries.

To facilitate program implementation and the development of partnerships, the Center will enter formal relationships with several NGOs and/or contractors. These relationships will allow missions to solicit involvement of one or more groups in response to a request for specific services. Once an agreement is reached between the mission and the group regarding the nature of the services required -- which might include the development of a democracy strategy, implementation of a particular project or evaluation of a project in progress -- program activities can begin immediately.

The Democracy Center will be responsible for disseminating information on democracy programs across the agency. A newsletter will highlight effective program activities, evaluation reports and lessons learned. The Center also will arrange training programs on specific subjects relevant to the development of agency technical capability in the democracy sector.

D. Donor Coordination

In December 1993, the Development Assistance Committee adopted an orientations paper on Popular Participation and Good Governance, which reflects a consensus among donors on specific principles relating to democracy, human rights, good governance, participation and excess military expenditures. The paper provides a basis for bureaus and missions to seek broad donor agreement on democratization principles, priorities and programs. The objective is to maintain consistent pressure for reform, to assure adequate levels of donor support and to encourage complementarity and economies of scale among programs. Where significant policy differences among donors constrain cooperation at the country level, missions should inform USAID/W so that these matters can be addressed in headquarter-level discussions.

During a pre-transition phase, USAID missions should strive for consensus among donors on the levels and types of economic assistance, through bilateral discussions or the

convening of existing or ad hoc groups. As a political transition gets underway, donor coordination becomes increasingly more important, both in ensuring consistent signals are sent and in guaranteeing the provision of appropriate assistance to support the transition. Regular consultations are invaluable for agreeing upon a division of labor and avoiding duplication. Ad hoc working groups that meet regularly and are chaired by a lead bilateral donor or by UNDP provide useful fora for discussion of critical issues pertaining to the transition.

Successful transitions often depend on donor agreement on the level, character, and timing of economic assistance triggered by the political reform. As the transition evolves, USAID should work with other donors, including multilateral institutions, to develop an appropriate package for the immediate post-transition period and to set the conditions that permit grants and loans to begin. Where bilateral donors are in agreement on democracy and governance goals, the World Bank can act as an effective agent of the Consultative Group process in urging policy reforms.

During the post-transition or consolidation phase, donor coordination remains critical. Inevitably, USAID assessments will identify many more needs than USAID resources can meet. The guidance that missions focus their activities on a small number of projects in the democracy sector also highlights the critical importance of donor coordination. Given these constraints, missions should share information and analysis with other donors as a matter of course.

V. MEASURING RESULTS

Lessons of the past clearly point to the importance of developing strategically focused democracy programs to avoid spending scarce resources on ad hoc activities that fail to achieve discernable impacts. Though measuring the results of assistance is a widely accepted principle, concrete guidance on how to carry this out in the democracy area is both scarce and complex. This is an important priority for the Agency's research agenda.

Development analysts and practitioners highlight the conceptual and methodological difficulties in measuring democracy promotion and good governance programs. There is no generally-accepted, comprehensive theory of democratic development that is helpful for building tightly-constructed strategies and successfully predicting results. Furthermore, existing tools of measurement are imperfect, particularly for evaluating such a country-specific, multifaceted and complex process. It is impossible to capture change by simply examining one or two variables. Moreover, political change is a long term proposition and setbacks in the short-run are inevitable, creating potential problems for demonstrating success in five-eight year strategies.

At present, limited data have been collected in the democracy and governance area, even for programs that have been in place for a few years. This is because strategies and indicators have been continually refined as USAID has become more specific about identifying objectives. Despite difficulties in measuring results, a compelling need now exists to ensure that data are collected for performance indicators. This information is crucial to improving the performance of USAID's programs, permitting informed decision making by USAID, refining strategies, testing assumptions, learning from experience and building confidence among USAID constituencies.

This guidance recognizes problems and important gaps in our knowledge; however, our efforts to learn more will be greatly enhanced through examining cumulative experience. Measuring results can be greatly simplified if managers aim for a hierarchy of objectives, make explicit a strategy that links lower- and higher-level objectives, distinguish short-, medium-, and long-term indicators of progress, and disaggregate indicators by region, gender, ethnicity and other measurable groupings. The logic underpinning this approach is outlined in the following three sections through the example of electoral assistance.

A. Short-Term Impact

In the short-term (one to five years), indicators are needed to measure performance in attaining program outcomes. To use the example of elections, if the objective of the program is "impartial and effective electoral administration," some illustrative indicators of program outcomes could include:

- percentage of errors corrected in voter registration lists;
- increased percentage of the population with reasonable access to polling places; and/or
- decrease in the time needed to tally results and publish them simultaneously.

This information then would be used to monitor and evaluate the use of resources.

B. Medium-term Impact

In the medium-term (five to eight years), indicators are needed to measure achievement of anticipated strategic objectives. To continue using the example of elections described above, the objective statement in the medium term might be "free, fair, and routinely held elections at the national and local levels." Some illustrative indicators of performance for this strategic objective might include:

- increase in the percent of registered voters voting or the percent of eligible population registered (disaggregated by sex, ethnic group, etc.) if USAID supported a voter registration effort;
- reduction in the number of parties protesting or denying the election results if USAID sponsored a parallel vote tabulation or a verification mission; and
- decrease in the number of incidents of violence following the elections if USAID supported programs to discourage violence.

Information at this level enables managers to refine strategies and reallocate resources into the most effective programs. Often, the data on strategic objectives can be built into the program strategy itself, for example, through the establishment or strengthening of an election commission, a human rights monitoring organization, a court-watch campaign, or a citizens advocacy group.

C. Long-term Impact

In the long-term (more than eight years), managers aim for achieving yet a higher objective. At the goal level, indicators are needed to determine whether the strategy had an impact on the country's democracy performance. Indicators of whether a country is performing democratically would include whether political power has been transferred through free and fair elections, whether the country has achieved freedom from foreign or military control, and whether citizens have greater freedoms to peacefully organize, express themselves, and produce or use alternative sources of information.

For goals, managers (usually based in Washington) can now rely upon composite indicators developed by groups such as Freedom House, Charles Humana in the Humana Index, the UNDP, or bring together qualitative materials from a variety of sources (State Department, human rights organizations, opinion polls and election observation team reports). Indicators of impact are used to measure progress toward democracy, and assess changes in democratic conditions. Therefore, the information that they provide enables managers to make decisions about the commitment of host country leadership to democracy, and the types of programs, strategies, and interventions that might make the most meaningful contributions.

To complete the election example used above, the objective statement at the goal level might be "free and fair elections serve as the forum for mediating major political disputes." Some illustrative indicators of performance for this goal might include:

- the transfer of power via elections; and
- the percentage of the population confident that elections are free and fair.

At all levels of assessment and strategy development, it is essential that Missions consider the participation of women and marginalized groups. Performance measurement plans should capture the benefits that accrue to these groups through carefully-thought out strategies.

Finally, it is essential to strive for sustainability in democracy programming. Democracies are sustainable when indigenous forces within society can maintain and strengthen the democratic foundations without external support, and government institutions and officials remain firmly committed to democratic practices and the rule of law. When monitoring and evaluating progress, therefore, USAID must assess the likelihood democracy activities will continue absent international funds.

Table 1

Considerations in evaluating specific program activities

- the potential impact of a specific intervention
 - are there immediate short-term benefits (or costs) likely to flow from the intervention?
 - does the intervention have a sustainable component?
 - who will the intervention most directly affect - elite or non-elite sectors of society?
 - what is the impact upon women and minorities?
 - what effect will the intervention have on specific USG interests?
 - is there a multiplier effect or synergy in terms of linkages with other aspects of USAID programming or, conversely, are there trade-offs and conflicts with other USAID programming?
- the existence of the requisite political will in the host country to ensure that the intervention will contribute to the designated objective - this consideration is particularly important where a program is directed at a government entity
 - what financial, personnel or organizational resources is the recipient contributing to the process?
 - what specific legal or institutional changes (including, in the case of governments, accession to international human rights instruments) is the recipient willing to undertake in furthering the goals of the project?
 - how open is the government to allowing and promoting participation by the nongovernmental sectors?
- the amount of resources required for a particular intervention
 - how much will the intervention cost in dollars, including local currency costs?
 - what are the personnel requirements for the intervention and are they available without causing dislocations in other critical areas?
 - how does a particular intervention compare with alternative interventions in terms of cost and potential impact?
 - how much will a particular intervention leverage other contributions?
- USAID technical capabilities available to assist with a particular intervention
 - does USAID have the requisite skills to manage and evaluate project in efficient and timely manner?
 - does USAID have pre-existing arrangements with reliable NGOs which could implement the project?
- collateral effects of intervention
 - will the project promote political interests and involvement of women and minorities? and has project been designed in manner to ensure that women and minorities suffer no untoward consequences as a result of project implementation?
 - can the project be designed to ensure that different groups, even those not directly involved with the project implementation, have a role in project review and evaluation?
 - will the project affect activities in other sectors by ensuring broader participation in policy debate, by providing legitimacy for policy or by increasing accountability?

Table 2

Democracy Program Options

A. Electoral processes	<ul style="list-style-type: none"> • election law reform • election commodities • training of local pollwatchers 	<ul style="list-style-type: none"> • independent and credible election administration • voter education • international election observing
B. Rule of law	<ul style="list-style-type: none"> • legal reform • training of judges • training of lawyers • citizen awareness of legal rights 	<ul style="list-style-type: none"> • judicial infrastructure (<i>e.g.</i>, courts, libraries, etc.) • criminal investigation techniques • alternative dispute resolution
C. Education for democracy	<ul style="list-style-type: none"> • school age programs • teacher training • support for organizations implementing programs 	<ul style="list-style-type: none"> • adult education • assistance in developing education materials
D. Good governance	<ul style="list-style-type: none"> • promotion of government accountability to the public • techniques for monitoring corruption • promotion of decentralization efforts • training local leaders in management and outreach techniques 	<ul style="list-style-type: none"> • improvement of government budget processes and policy development procedures • support for good governance groups • technical assistance on decentralization plans • developing local government capabilities • public administration
E. Labor unions	<ul style="list-style-type: none"> • support for democratic labor unions 	<ul style="list-style-type: none"> • training programs for workers
F. Civil society organizations, including human rights monitoring groups, professional associations engaging in political activities, local NGOs engaging in political activities, women's organizations		
<ul style="list-style-type: none"> • support organizational development • develop and promote cross-border and cross-sectoral networking • training in management and technical issues 		
G. Legislative assistance	<ul style="list-style-type: none"> • technical assistance 	<ul style="list-style-type: none"> • infrastructural support
H. Political parties	<ul style="list-style-type: none"> • organizational training • role of political parties in government and opposition 	<ul style="list-style-type: none"> • election preparation training • training local leaders for competitive electoral politics
I. Reducing ethnic and religious conflicts through democratic processes		
J. Civil-military relations		
K. Free flow of information	<ul style="list-style-type: none"> • independent media • alternative information sources 	<ul style="list-style-type: none"> • investigative journalism
L. Diplomatic efforts in establishing political order		



U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT

TECHNICAL ANNEX D:

ECONOMIC GROWTH

I. INTRODUCTION

II. WHAT KIND OF ECONOMIC GROWTH?

III. THREE BROAD AREAS OF CONCENTRATION

A. STRENGTHENING MARKETS

B. INVESTING IN PEOPLE

C. EXPANDING ACCESS AND OPPORTUNITY

IV. RESULTS

I. INTRODUCTION

USAID's strategy emphasizes the role of economic growth in achieving sustainable development, including major reductions in poverty and food insecurity, and lasting improvements in the living standards of the poor. It identifies three broad areas of concentration: strengthening markets; investing in people; and expanding access and opportunity. It also identifies three "thematic approaches" to help shape our interventions in each of the three areas of concentration: participation; institutional development (including training); and sustainability (defined broadly to encompass not only natural resources but also human resources, financial resources, institutional resources).

This guidance views economic growth as essentially a country phenomenon, to be pursued largely at the country level. Broad-based and sustained economic growth that brings poor, disadvantaged and marginalized groups into the mainstream of an expanding economy has an impact on many global issues, including population growth, poverty, food insecurity, and global warming. The prospects for economic growth are also influenced by international factors such as frameworks for trade and investment, and technology. Nonetheless, experience indicates that success or failure in achieving sustainable, broadly-based growth over the medium term is largely a function of domestic factors, such as policies, institutions, and human resources. Indeed this is a large part of the concept of sustainability.

As emphasized in the strategy, USAID assistance is to be shaped by strategic objectives, not determined by specific methods. Accordingly, this guidance does not attempt to prescribe a limited range of specific activities, nor does it highlight assistance instruments such as non-project assistance, guarantees, and food aid. Because country programs are to be judged on the basis of expected and actual results, USAID must have the flexibility to choose those activities and assistance modes that will maximize results.

Consistent with a focus on results, this guidance establishes the criteria and principles to guide the identification of strategic objectives and development of strategic plans. The criteria and principles are based on lessons learned, best practice, and considerations of USAID's institutional strengths. The guidance provides a common framework for designing and assessing USAID programs. Used in the development of strategic plans and program design, these criteria are expected to narrow significantly the number and range of USAID activities.

II. WHAT KIND OF ECONOMIC GROWTH?

Economic growth *per se*, measured crudely in terms of expanding gross domestic product, is not in itself sufficient for sustainable development and the reduction of poverty. To meet USAID development objectives, economic growth must be:

- **rapid**, in order to increase incomes and employment, resulting in continuing, lasting improvements in peoples' lives, and expanded individual choice and opportunity;
- **broad-based**, resulting in widespread increases in incomes, employment, and output; reduced poverty and food insecurity; and improved social indicators;

- *sustainable*, based on efficient and responsible use of indigenous resources (people, natural resources, physical capital) that are enhanced rather than depleted over time. (Growth is unsustainable when it depends on factors such as concessional foreign assistance; other transitory foreign exchange inflows; irresponsible depletion of natural resources; excessive borrowing; and policies that do not merit broad public support.)
- *environmentally sound*, so that costs and benefits connected with using natural resources and the environment are evaluated as accurately as possible and taken into account; and
- *participatory*, with open access by all to both the political and economic systems.

USAID analyses (for example in periodic country strategic plans, program strategies and annual action plans) should specifically examine economic needs, prospects and performance from the perspective of each of these characteristics. They are generally harmonious and mutually reinforcing, rather than conflicting and involving tradeoffs. Countries that have achieved economic growth with these characteristics have achieved major reductions in poverty and food insecurity, and significant improvements in the lives of their citizens. Many of the policy reforms that improve growth performance also enhance equity and income distribution because they address distortions that mainly benefit the relatively privileged.

Specific problems and challenges for economic growth and poverty reduction -- and thus specific USAID strategies and programs -- will vary considerably from region to region, and among countries within regions. For example, the transitional economies of Eastern Europe and the former Soviet Union are arguably quite different from "third world" developing countries in a number of key areas, such as the character of basic economic institutions; human resources; poverty; the level and allocation of physical capital; technologies; and other basic factors. In these countries the problem is more one of mal-development than underdevelopment, particularly where institutions and capital formation are concerned. The need is more for restructuring and reorientation of existing capacities (hence the term, "transitional") rather than quantitative expansion or development of new capacities. There is arguably more to "undo" than in the third world, and this adds complexity to an already difficult task.

III. THREE BASIC AREAS OF CONCENTRATION

USAID's strategy for economic growth identifies three basic areas of concentration: *strengthening markets, investing in people, and enhancing opportunity and access*. The conceptual boundaries between these three are not hard and fast. There are significant overlaps and complementarities. For instance, strengthening markets and investing in people are major vehicles for enhancing opportunity and broadening access. Basic education and health are highlighted in this guidance as one aspect of investing in people. But education and health may also be considered as markets where both market failure and equity considerations call for a significant public presence. Interventions to improve opportunity and access are to be designed so as to reinforce rather than undercut markets.

Similarly, issues of matching the capacities of the labor force with job requirements is considered here as a labor market issue (and thus part of strengthening markets), rather than as investing in people. Participant training is an important contribution to building indigenous institutional capacities and is common to each of the three prongs of the strategy, rather than belonging exclusively to investing in people.

Allowing for these sorts of considerations of linkage and overlap, most current and prospective programs fit pretty clearly within one of the three basic areas of concentration.

While food security is not an explicit strategic objective within the economic growth strategy, the strategy and this guidance clearly aim at sustainable reductions in poverty, which is inextricably linked with food insecurity. Further, each of the three basic areas of concentration identified above contributes directly and significantly to enhanced food security. Both the strategy and guidance give substantial emphasis to improving agricultural performance, which helps to reduce poverty and also to increase and make more widely accessible supplies of food. Similarly, efforts to expand opportunity and access for the poor will contribute directly to greater food security. Other important elements of a concern with food security, particularly safety nets and direct relief of immediate food needs are best considered under the separate rubric of humanitarian assistance.

A. STRENGTHENING MARKETS

1. Which Markets?

USAID's objective is to *improve market efficiency and performance*, in order to enhance the contribution of markets to economic growth that is rapid, broad-based, sustainable, and participatory. Markets are working efficiently if prices adequately reflect costs (including environmental costs), and if there is sufficient competition (for private markets) or participation (for "public" markets) so that markets respond to what people want. Indicators of well performing markets include increasing economic activity, improving technologies, expanding participation, rising productivity and falling costs, better quality of goods and services. Together these lead to expanding incomes, employment, and output, and to improved living standards and reduced poverty.

There are a variety of important sectors and markets which must function well if economic growth is to be sustainable and broad-based. Each will present its own development problems and constraints. Not all of these will necessarily be the target of USAID assistance, but the analyses undertaken in order to formulate country strategies should examine each of these aspects to determine to what extent they are critical to the achievement of broad-based economic growth objectives. In some cases (e.g. in agriculture and finance), the reasonably efficient operation of markets may be a prerequisite for other assistance objectives. In these cases it is important for Missions to determine if USAID programs should focus first on addressing market imperfections or if the market is functioning efficiently and effectively enough to allow USAID programs to focus productively on other development constraints.

Agriculture. Well-functioning agricultural markets -- including inputs and outputs, land and technology -- are essential to sustained growth in agricultural production, employment

and income; reduced poverty; and enhanced food security. They can also contribute to expanded domestic demand, increases in value-added by domestic resources, and entry into international export markets. Dynamic agricultural markets require technological progress and innovation, and the public sector, including donors, has typically played an important role in this.

Financial. Financial markets affect the mobilization of savings, the transformation of savings into investment, and the allocation of private investment resources. The level and efficiency of investment is a basic determinant of economic performance. How developed, flexible, and accessible financial markets are is critical to the degree to which the financial system supports broad-based development rather than being a burden on the rest of the economy, imposing constraints and demands on it. Rigid, narrow, and uninnovative capital markets force firms to finance investment out of profits, which introduces cyclical behavior and short-term perspectives into the economy. Such capital markets also restrict access of small and medium sized firms to investment resources and limit the use of capital for human resource investment, to the detriment of poverty concerns. With public sector budgets constrained, private financial institutions, capital markets, and financial intermediaries have a determining role to play in the diffusion of innovation and the mobilization of resources for investment.

Other typically private markets. Markets (apart from agriculture and finance, discussed above) where private enterprise would ordinarily predominate include manufacturing (production and marketing of manufactured goods), services (internal wholesale and retail trade, and other services provided privately), and external trade (cross-border exchange of goods and services). Countries which have succeeded in achieving sustainable, broadly-based growth have typically emphasized openness to international trade and investment to stimulate manufacturing and exports. In most of the prominent development success stories rapid export growth and the capacity to compete in international markets has been a major factor in explaining their success in achieving rapid broad-based growth and reductions in poverty and food insecurity.

Infrastructure. These "markets" include housing, transportation, telecommunications, water and sewerage, and energy. By and large, they support other economic activity, so that their good or bad performance has widespread impacts on other sectors and markets. The degree of direct public sector participation is typically significant, while the role of the private sector is expanding.

Labor. Markets for unskilled and semi-skilled labor are particularly important, insofar as the main asset of the poor is often their capacity to work. Labor laws and policies often distort labor markets, leading to depressed wages in some sectors, inflated wages in others, chronic unemployment and underemployment, skill mismatches, and low levels of productivity. The demand for labor is heavily influenced by macroeconomic policies and policies that influence other markets. The task in labor markets is to see that increased demand for labor is translated into increased and more productive employment, higher wages, and improved working conditions.

Markets vary considerably in the kind of public intervention (including donor-assisted programs) required for good performance. Once established, some markets perform well on a largely private basis, with public intervention limited to establishing a relatively straightforward policy and institutional framework that safeguards property rights; promotes competition, entry, and exit; and permits prices to reflect costs. These markets may need some support to get established, but beyond that there is little call for direct public interventions, even if they do not function perfectly (e.g. because of costly information and transactions costs). Direct public interventions have their own limitations in terms of information and incentives; they may not achieve significant improvements; and they may in fact make things worse.

In contrast, other markets are systematically prone to "failure" in the sense that they will fall well short of efficient outcomes without certain types of direct interventions. The propensity to fail can vary significantly from market to market. For example, financial markets require significant public intervention in the form of regulation and supervision, and perhaps more direct interventions to encourage new types of financial activity. Other markets (e.g. water and sewerage) call for a predominant direct role by the public sector. Where technology is concerned, some markets work well on a private basis while others, e.g. in agriculture or health, may call for substantial direct public intervention.

Further, as the economy grows and develops, the policy and institutional requirements for most markets become increasingly complex and sophisticated. For instance, the policy and institutional arrangements that are important for financial markets in the least developed countries can differ significantly from those that are most effective in more advanced developing countries.

Apart from policies, institutions, and interventions in specific markets and sectors there are a number of broader areas that have a bearing on the performance of markets. The *macro-economic policy and institutional setting* (which influences inflation, sharp fluctuations in output, the rule of law and so forth) is of primary importance. Other factors are important as well. For instance, the fairness, credibility, scope, revenue generating capacity, and economic impact of the *tax system* affect the efficiency and performance of markets and the economy as a whole. The capacity of the price system to reflect the true value of natural resources can be skewed or corrected by the tax system. The ability of the tax system to generate public revenue plays a decisive role in determining overall fiscal balance and the capacity of the public sector to support private sector development through investment in infrastructure, education and health. Tax reform can be a major instrument for economic, public sector, social, and environmental reform. Similarly, *innovation systems* matter a great deal. New understanding of technological innovation have led to a greater emphasis upon the growth that results from organizational and social change among firms, between the private sector and the public sector, and within firms. This brings higher priority to the role of education, the diffusion of innovation, and the supportive role of governments in enhancing interactions across society that increase productivity.

Improvements in how markets work should enhance equity as well as promote growth and efficiency. Common political sense and development experience both indicate that the strongest constituencies for protective arrangements and other policies that hamper markets are not the poor, but other more privileged segments of the society. Many of the policy and

institutional distortions that weaken markets simultaneously offer protection to the politically powerful and well-to-do. Subsidies, import protection, monopolies, price controls, credit rationing, licensing practices, etc., typically do not benefit the poor.

Reforms that address such distortions not only should reduce poverty by generating more rapid expansion in employment and income, but also can be expected to contribute directly to improved income distribution, greater equity, and more widespread participation in economic growth. Achieving markets that are more open and competitive, with diminished artificial barriers to entry and controls, will typically offer greater access by the poor to opportunities and resources. (While making markets more open and competitive will generally improve access, this will not fully solve the problem. The need for other measures to directly promote access and opportunity is discussed in Section V).

2. Lessons learned

USAID and other donors have accumulated considerable experience in strengthening markets, much of which has been reflected in USAID policies. These lessons are expected to guide both the analyses and choices made in the development of country strategies and programs.

The macroeconomic policy setting is vitally important and affects returns to project, policy, and institutional interventions in individual sectors and markets, e.g. infrastructure. This includes reasonably prudent fiscal and monetary policies and openness to international trade and investment.

The policy and institutional setting (including legal, regulatory and judicial practices) is a central determinant of performance in all markets. Private markets in developing countries (in much of agriculture, manufacturing, and trade) work better than anticipated by development theorists, practitioners, and policy makers of the fifties and sixties. Government interventions in these markets frequently have been counterproductive and inequitable. The role of government in many of these markets (except those systematically prone to market failure) is to help establish a suitable policy and institutional framework and to rely on competitive private enterprise. In some of the East Asian success stories where governments intervened directly in private markets, there is considerable debate about whether these interventions were the primary factors in success, or whether success was due more to establishing an outward orientation and getting fundamentals and incentives right. But, as a practical matter it is widely agreed that their more direct interventions were disciplined and insulated from counterproductive political pressures to a degree not likely to be replicated in other countries.

Interventionist policies in markets that ordinarily work well on a private basis often undermine the legitimacy and effectiveness of public institutions. Selective protection, rationing of cheap credit, and unwarranted emphasis on public enterprises tend to encourage corruption, red tape, inefficiency and the degeneration of basic economic and political institutions as rent-seeking becomes a primary motive.

In markets more prone to market failure, governments and donors need to intervene more effectively. Aside from policies and institutions, well conceived public investments in human resource development, infrastructure, and in some cases technology development are important.

For financial markets, the track record for donor interventions that seek to direct credit and/or introduce specialized financial institutions and instruments is mixed, and suggests a need for more caution than often was exercised in the past. Often basic policy and institutional impediments have prevented certain institutions and financial instruments from emerging, and have undermined the effectiveness of direct interventions to introduce new institutions, instruments, and activities. In these circumstances, the poor, women and other traditionally disadvantaged groups often cannot benefit, even if overall economic performance is reasonably good. These country-level impediments need to be understood and addressed before more direct interventions can succeed on a sustainable basis. In contrast, where policy and institutional arrangements are favorable, efforts to broaden and deepen financial markets by introducing new financial instruments can be successful, and previously marginalized groups can be brought more into the economic mainstream. Greater success has been achieved in working with existing, private financial institutions and government regulatory authorities to build their capacity and establish policies and procedures for sustainable, efficient financial systems.

Privatization is important, particularly in countries and markets where public enterprises cause a huge drain on fiscal resources and hamper market performance. At the same time, privatization has sometimes proved more difficult and complex than initially expected. Early advocates of privatization often assumed that the costs would be relatively low (the costs of putting an asset on the market and selling it) and the benefits from simply changing ownership would be high. Experience indicates that the benefits depend on the policy and institutional setting within which privatized firms operate, and that the path from public to private is often difficult depending on country circumstances. These costs and benefits need to be carefully appraised, and efforts at privatization need to be supported by adequate technical assistance. The labor, environmental, and anti-monopoly impacts of privatization are important considerations to take into account as ownership changes, as well as the policy and institutional environment within which privatized firms operate.

Direct project interventions designed to stimulate the private sector in markets that ordinarily work well on a largely private basis (e.g. support services for exporters) require a favorable policy and institutional setting to be effective. These interventions should be undertaken only where private markets are not yet functioning well, but can reasonably be expected to develop. They should be regarded as transitory interventions to get markets to the point where they ARE functioning well. They should be conceived as facilitating and strengthening markets rather than substituting for markets.

3. USAID Strategy and Guidelines to Strengthen Markets

USAID programs will strengthen markets in a variety of ways. USAID will analyze and if necessary address the policy and institutional framework governing market activities to assess the adequacy of incentives and prices for enhancing efficiency and performance. This means a continuous monitoring of overall economic policies and performance to assess

imbalances and weaknesses that may require policy dialogue and/or related activities. This also means a continuous monitoring of the priority sectors, markets, and systems discussed above to ascertain weaknesses and failures in institutions and policies that may guide external assistance. USAID will undertake more direct interventions where there is serious market failure that can be remedied by these interventions; and/or where direct interventions are warranted to introduce new types of market activities that will significantly improve market performance.

Many of the criteria outlined below have not been systematically applied in the past to many of USAID's efforts to strengthen markets. It is possible that some activities in some countries do not meet these criteria. During ongoing portfolio reviews, field missions and regional bureaus are expected to examine current activities and to phase out those that cannot meet these criteria, refocus those that can be amended to meet the criteria and to ensure that new activities are fully in conformity with this guidance.

- ***USAID programs should focus on achieving significant, demonstrable impacts on market efficiency and performance that bear a highly favorable relationship to costs, and which can reasonably be expected to have significant impacts in terms of increased living standards for poor people in "real" time.*** Analysis of proposed interventions ought to identify costs and benefits, including costs and benefits for poor people; establish the contribution of the intervention to growth that is rapid, broadly-based, politically sustainable, and environmentally sound; and indicate how to identify and quantify results.
- ***USAID strategies and programs should focus on markets, sectors, and systems that are of critical development significance, having a major bearing on overall economic performance, including poverty reduction.*** The objective of these activities should be to reform key policies, strengthen key institutions, address significant market failures or shortfalls in performance. These focused programs would follow from the continuous strategic assessment of the economy and the markets, sectors, and systems that are critical to economic growth and poverty reduction.
- ***USAID market strengthening strategies will consider the inter-relationship between sectors, systems, and markets which would potentially generate the highest yield from those activities which seek to enhance the interaction among key components of the market economy.*** Suggestive relationships are between the financial system and the national innovation system; capital markets and human resource development; the tax system and market incentives for investment and employment generating activities; sectoral interactions between agriculture, industry, natural resources and technological innovation; and relationships between infrastructure, investment, private sector development, direct foreign investment, trade policy, and exports. In each case the criteria should be the search for high yield gains from interaction and synergy resulting from mutually reinforcing activities that generate multiplier effects.
- ***Participation is important as a source of economic growth from such interactions as well as to register individual preferences and demand, and to ensure that what is provided corresponds to what people want.*** Strengthening private markets so that they function efficiently should include steps to promote widespread participation, freer

entry and greater competition, and the expression of individual preferences and capabilities. Well-functioning competitive private markets are important vehicles for participation, and respond well to individual values. However, "public" or "collective" goods, e.g. in the areas of infrastructure and environment, may well require special mechanisms to ensure adequate participation and register individual preferences.

- *Specific investments (e.g. in infrastructure, technology, privatization) should only be undertaken where (a) the policy and institutional environment is supportive of success; (b) there is a high expected economic rate of return or other demonstration of a favorable relation of benefits to costs; (c) the investment will make a meaningful contribution to poverty reduction over the near to medium term; and (d) the investment would not be undertaken otherwise (i.e. it ought to be additional).*
- *Project interventions in private markets designed to stimulate the private sector (e.g. interventions in trade and investment and business development) should only be undertaken where: (a) the policy and institutional environment is conducive to success; and (b) the market is not functioning well but analysis shows that it can reasonably be expected to do so as a result of the project; and (c) improved functioning of the market can be expected to have significant positive impacts on poor people. Once the market in question is functioning well, assistance should cease.*
- *Activities (including projects and non-project assistance) intended to achieve policy and institutional reform should be based on analysis of the expected impacts in terms of more rapid, broadly-based, sustainable, environmentally sound growth. Country and program strategies should appraise political feasibility, the role of participation; the likelihood that the policies will be adequately implemented; and the positive and negative impacts over time on the poor.*

B. INVESTING IN PEOPLE

1. Clarification/elaboration

USAID's objective is to help establish increasingly self-sustaining systems to achieve levels of basic education and health that will enable people, particularly poor people, to lead socially and economically productive lives.

Investing in people means enhancing their access to basic education, health, and other social services to strengthen the productive and entrepreneurial capacities of people, particularly the poor. These improved skills and capacities will enable them to provide for themselves and their families, make more informed decisions in their communities, and lead better lives. The quality of basic services and the access of the poor to these services, is as important as the quantity. (*Participant training* is viewed in these guidelines as part of institution and capacity building, an activity common to all three basic objectives discussed here.)

2. Lessons Learned

Analysis of the experience of fast-growing economies indicates ***sustained investments in basic education and human capital formation are of major importance***. In most cases, investments in basic education preceded the economic growth spurts by a decade or more. It is the education level and skill proficiency of the overall workforce, rather than the number or quality of highly-educated and specialized workers, that better explains the success of economies in achieving and sustaining economic growth and transformation.

Improved health can also make a major contribution. Recent analysis of economic growth performance in over 70 countries shows that healthier countries grew faster. In poor countries with a high burden of disease, measures that cut childhood mortality by a modest 15 percent could increase the rate of income growth by nearly 25 per cent. Health improvements cut productivity losses caused by worker illness, permit the use of natural resources that are otherwise inaccessible because of disease, increase school enrollments and the capacity to learn, and free up resources for alternative uses.

At the same time, ***rapid broadly-based economic growth is a critical factor in improvements in basic health, nutrition, food security, and education***. Increased income and reduced poverty allow people to improve their diets and their housing; take better care of themselves and their children; and invest in education and health care. Economic growth also generates the revenue base for expanded public expenditures in critical areas of health and education.

In both education and health there are major gains in both equity and efficiency to be achieved from reorienting public education and health expenditures in the direction of basic health and education (as opposed to higher education and tertiary health facilities offering specialized, highly technical services).

Basic education, particularly primary and adult education, can yield relatively high economic returns. The returns tend to be higher in the relatively low-income and poorly educated contexts, and for economically marginalized groups such as girls and women. The returns to broad investments in education are influenced by economic performance. Prolonged stagnation or economic decline lowers the payoff to education investments, while rapid growth in productive employment opportunities raises the payoff. While specialized vocational, technical training, and general post-secondary education also can be good investments, such education and training often are relatively high cost compared to basic education. Further, more of the benefits are captured privately, implying a greater role for markets, prices, and the private sector.

Education is important not only for increased economic productivity, but also democratic development. Sustained democratic regimes depend in part on a literate and informed citizenry that is able to participate in public debate and help hold governments accountable for their actions. Civic education can also help nurture and strengthen democratic values and a civic culture.

For health, basic health services in the form of a limited package of public health measures and essential clinical services has been shown to represent the most cost-effective approach to reducing the burden of disease. If implemented on a widespread basis this approach would result in declines in the burden of disease on the order of 15 per cent in

middle-income countries, and 32% in low-income countries, equivalent to saving the lives of more than 9 million infants each year. These sorts of gains mean direct and significant improvements in well-being, and contribute to economic growth.

In both education and health, some of the key issues have to do with the balance between public and private finance; cost recovery; and the role of the private sector. There are also typically major gains to be achieved in the efficiency and performance of public facilities that deliver basic services.

Economic, social, and political disparities are diminished over time by more widespread access to basic education and health. Expansion of access to basic health and education is likely to particularly benefit poor people. Lack of equitable access in the early years contributes to widening gaps in economic opportunity and political equality in later years.

In education and health, as in other sectors, *public policies are critical to the efficient management of resources, and thus the sustainability of investments.* While donor programs can help initiate investments in education and health, the sustainability of continued re-investment depends to a great extent on appropriate policies, and a healthy economy that generates adequate budgetary revenues.

3. Strategy and Guidelines

USAID's strategy is to expand people's basic skills and health status. For education, this means giving *priority to the reform and expansion of primary education for children* and compensatory basic education for adolescents and adults already in the workforce. *Only as access to basic schooling expands significantly will USAID give increased priority to secondary and tertiary education, and then only insofar as this represents a major constraint to economic growth.*

For health this means *support for systems that will efficiently provide the package of clinical and public health services that will most cost-effectively enhance health status in a particular country.* For public health, this calls for interventions to deal with substantial spillover effects surrounding infectious disease control, prevention of AIDS, environmental pollution, and behaviors that put others at risk. Essential clinical services need to be defined at the country level, taking into account epidemiological conditions and other factors.

To implement this strategy, USAID programs aimed at improving human resources and capacities are expected to adhere to the following guidelines:

- *Interventions should be formulated within the context of a systemic assessment of education and health capacities and requirements,* that includes explicit assessment of impacts on and needs of women and economically marginalized groups.
- *Assessments, as well as the subsequent development of program strategies, should be informed by a broad range of perspectives* from local institutions and organizations. The concerns and priorities of local communities often can be a basis for cost-effective innovations pioneered by empowered communities.

- ***Policies and commitments to encourage continued re-investment in basic education and health are essential for effective USAID support.*** USAID will not support significant investments in basic education and health unless such reinvestment is assured. Such continued re-investment may include effective cost-recovery systems, public sector support or private sector funding.
- ***Interventions in support of basic education and health should focus on systemic changes that affect policies, institutions, and the overall capacity of a country to provide basic services*** (as opposed to interventions that simply deliver services).
- ***Only very rarely will USAID support higher education and tertiary health,*** and then only where it can be clearly and convincingly demonstrated that weaknesses in higher education and tertiary health are a major, direct, and immediate constraint to the achievement of sustainable development objectives.

C. EXPANDING ACCESS AND OPPORTUNITY

1. Clarification/elaboration

USAID's objective is to raise productivity and expand opportunity through policy and institutional reforms, and other measures that help women and other disadvantaged groups secure basic rights, access to resources, improved technologies, and influence on public policy and administration.

Efforts to strengthen markets and invest in people can make major contributions to enhanced access and opportunity for the poor. But, focusing on these two critical areas still leaves some important problems unaddressed. Markets never work perfectly, even when the policy framework is sound and the classic sources of market failure (e.g. externalities) are absent. Competition is rarely perfect, barriers to entry frequently persist, mobility of labor and capital is limited, and information is neither complete nor costless. Further, some markets are analogous to "infant industries". They can be expected to work well without direct public intervention once established, but may need temporary public stimulus and support to come into being. In labor markets and financial markets, as well as other markets for services, information costs and "transactions costs" (e.g. the costs of designing and enforcing contracts, assessing a good credit risk, matching people with jobs, appraising work effort and productivity, or understanding and adopting new techniques) are particularly important.

Overcoming these problems in the near term is a matter of resources, so that the poor and other groups that face discrimination are particularly disadvantaged. As workers they are often unable to compel employers to live up to their obligations and promises; as potential borrowers they are often unable to persuade risk-averse lenders of their creditworthiness; and as entrepreneurs they are often unable to overcome barriers to entry, both formal and informal, such as licensing. (Looking at the other side of these transactions, employers, consumers, and lenders face similar problems -- they often are unsure about getting what they pay for, or getting repaid. But, they typically have more resources to bring to bear on these problems).

The real solutions to these problems have to do not with simply shifting these costs to donors or the public sector (e.g. public lending programs that face the same information and transaction costs, but simply do not worry about creditworthiness and repayment), but rather with finding institutional arrangements, such as cooperatives, group lending and borrowing arrangements, labor organizations, improved licensing and regulatory procedures, and so forth that can lower many of the costs mentioned above. Demonstration activities can also increase information and improve perceptions of risks and costs. These sorts of approaches not only work to enhance equity, but also should be expected to promote growth by improving market performance.

The USAID strategy paper identifies three program areas for expanding access and opportunity: (a) microenterprise and small business development; (b) agricultural technology for small farmers; (c) social and legal institutions and organizations helping disadvantaged groups. The lessons learned and guidelines apply mainly to these program areas, particularly microenterprise which has been singled out as a special initiative. At the same time there are other program areas (e.g. women in development; food for work and other activities under the rubric of food security; land tenure interventions; enhancing innovations) that would easily fit under this heading. The general principals embodied in the discussion below, particularly a focus on sustainability and productivity, should guide activities in these other areas.

2. Lessons learned

Problems of access and opportunity vary considerably from country to country and region to region. For instance in Asia, economic growth has tended to be not only rapid but equitable, with improvements in income distribution reinforcing the strong impacts of growth in terms of poverty reduction. In contrast, in Latin America income and asset distribution tend to be more skewed. While poverty reduction in Latin America depends critically on economic growth, the benefits of growth have tended to be more concentrated than in other regions. It is more difficult to generalize about experience in Africa, because of data limitations and limited success in achieving economic growth.

Targeted programs for the poorest pose major challenges in terms of results and sustainability. Directed credit programs, particularly where subsidized credit is concerned, often have been developed with little concern for savings mobilization, cost recovery, and services that meet the needs of clients. Consequently, such programs and institutions have not been sustainable. Resources have been siphoned off to the politically well-connected and high default rates have been the norm. Similarly, technology transfer to small farmers often has failed because technologies were inappropriate, administrative costs were excessive (so that few were reached), management was poor, and/or because of basic constraints on land productivity. Legal and regulatory reforms intended to protect the poor in labor markets often have benefitted urban workers in the formal sector, while inhibiting expansion of employment and entry of poorer workers into the formal sector.

More recently, success rates for microenterprise lending have improved, in response to lessons learned from some of the significant success stories in countries such as Indonesia and Bangladesh. These lending programs have reached large numbers of people, charging positive real interest rates and achieving impressive repayment rates. They have had

significant positive impacts on employment, income, and poverty. However, even in the most commonly cited success stories, full cost recovery and sustainability remain a challenge.

The country policy and institutional environment is critical. Where inflation is excessive, all financial institutions generally become decapitalized and lose their capacity to promote development. Without appropriate incentives to producers, efforts to improve agricultural technology generally fail. Lending programs for microenterprises have provided greater coverage and been more sustainable in countries which have liberalized their financial markets (e.g., Bolivia, Indonesia). In these policy environments, intermediaries have more potential to be self-sustaining and to contribute to the further development of financial markets.

Donor resources cannot meet all the financial needs of the poor. Consequently, predominant reliance must be on domestic resources and local savings. Mobilization of domestic resources contributes to sustainable financial institutions and multiplies the impact of donor resources. Microenterprise lending programs can reach very large numbers of poor people when they are able to operate as fully-fledged financial institutions and can mobilize domestic savings. Charging market rates of interest is critical to sustainability and viability.

In general, ***microenterprise projects focused on the provision of financial services to established enterprises have performed best, particularly in achieving adequate cost recovery and sustainability.*** Microenterprise lending programs have been most successful when they rely on character-based lending, keep administrative costs to a bare minimum, use institutional controls on loan delinquency, and charge interest rates that reflect the costs of extending credit. ***Microenterprise projects focused on creating enterprises, or on transforming microenterprises into small scale firms in the formal sector generally have performed far less well,*** and have been less cost-effective. Many have required heavy inputs of technical assistance and/or training, so that costs were high relative to results.

While government involvement in agricultural research has often produced good results, service delivery programs (including extension and provision of inputs) have often produced poor results. Government involvement in agriculture often is essential. But tasks established for government agencies should be simple, and guided by other involved parties -- small farmers, NGOs, cooperatives, and the private sector. Government does relatively better in providing basic infrastructure, such as roads and applied research in basic crops where private sector involvement is either not feasible or profitable. Investments in research and extension also are influenced heavily by the policy setting for agriculture.

Complex government programs which, as with integrated rural development projects in the 1970s, depend upon extensive coordination among government agencies and do not treat the program recipients as full participants in design and implementation generally have produced poor results.

Measures to promote better working conditions and higher wages need to be taken in the context of the country's overall development situation. Legislation that raises the cost of labor above average productivity has tended to benefit well-placed workers, while reducing growth in employment opportunities for the poor.

In general, properly structured *community and beneficiary organizations perform most local development functions better than large centralized bureaucracies*. The appropriate role for government is legally to empower these organizations and to provide an enabling policy environment and technical support.

3. Strategy and Guidelines

USAID will help raise access and opportunity by promoting increased access to capital and technology and by efforts to strengthen the social and legal framework that determines access and opportunity.

To implement this strategy, USAID programs aimed at directly improving economic access and opportunity are expected to adhere to the following guidelines. These criteria are stricter than in the past and are intended to preclude activities that are purely redistributive and do not contribute to sustainable economic growth. The central objective is to impose criteria of economic viability and sustainability on all USAID supported activities. Some current USAID activities may not meet these criteria. Field missions and regional bureaus are expected to undertake critical portfolio reviews to phase out those activities which cannot meet these standards, adjust others and ensure that new activities are fully in conformity with these guidelines.

- *Focus on building sustainable viable financial intermediaries that provide client-responsive savings, credit, and transfer services to large numbers of poor households and small businesses.* Promote savings mobilization, high repayment rates, and appropriately high interest rates to ensure financial sustainability and avoid dependence on infusions of external resources. Seek institutional arrangements that reduce transactions costs.
- *For microenterprise lending, emphasize financial services for established microenterprises.* To support the emergence of new enterprises, and the transformation of microenterprises to small scale businesses, focus first on the policy and institutional factors that pose obstacles, and then on cost-effective direct programs.
- *Strengthen the capacity of lending institutions to assess potential markets, both rural and urban, and train staff appropriately.* Where targeting the poor is concerned, broad targeting (addressing groups where the incidence of poverty is relatively high) is more effective than narrow targeting (attempting to focus exclusively on the poor).
- *Programs which require significant technical assistance and training should be supported only with considerable caution.* Prior to providing such services missions will first need to have determined that such requirements cannot be met better through more systemic human resource development interventions. More specific interventions need to be based on a cost/benefit analysis that justifies the implicit subsidization. If policies and institutions pose significant constraints, these should be addressed directly.
- *Programs to increase access should emphasize participation in design and implementation* to increase relevance of the assistance and to assure that programs reach

intended beneficiaries, in particular disadvantaged groups. In the case of financial institutions, the hallmark of such participation will be the development of both lending and savings services which respond to the needs of large numbers of poor clients.

- ***Government involvement in increasing access and opportunity in agriculture should be focused on simple tasks*** (e.g. provision of infrastructure rather than highly complex integrated development projects), that are economically justifiable and shaped by substantial local participation.
- ***Efforts to expand access must carefully balance the need to foster small businesses and the need to protect workers' rights.*** Micro/small businesses and small farmers typically operate outside the legal regime for workers' rights. Few countries seek to enforce the legal requirements that apply to such enterprises, and even fewer devote the considerable resources needed to do so effectively. Increasing public awareness of workplace health hazards may be more effective than regulation in enhancing worker rights.

IV. RESULTS

The success of USAID country programs will be assessed against their contribution to the achievement of the following kinds of results at the country level:

- Sustained increases in per capita income, consumption, savings and investment;
- Declines in the incidence of poverty, the number of poor, and in food insecurity;
- Improved social indicators in health and education, and reductions in fertility, reflecting expanded access to basic social services, higher incomes and increased capacity and desire to invest in children;
- Expanding and more efficient public and private investments in human resource development.
- More equal status for women and other groups traditionally accorded inferior status;
- Improved use and conservation of natural resources and enhanced protection of the environment;
- Increases in agricultural productivity, diversification in agricultural production and broad-based increases in income and employment generated in agriculture, that lead to reductions in poverty and food insecurity;
- Expansion of private, non-agricultural enterprises with increasing diversity and richness in the size of enterprises and the variety of their productive activities, generating increases in incomes and employment among poor people;

- Increased reliance on financial institutions to attract savings and channel them into productive investments, and a more appropriate array of financial instruments and institutions;
- Increases in the level of sustainable micro/small lending -- through high recovery and low default rates on loans; market interest rates that reflect costs; control of administrative costs; and significant savings mobilization.
- Improvement of infrastructure that supports expanded economic activity, so that markets become larger and more integrated, generating increased income, employment, and living standards for poor people;
- Expanded and more diversified trade and investment, along patterns that result in significant gains in employment of unskilled and semi-skilled labor.

Missions should take full advantage of cost/benefit analysis as a framework for explaining and documenting the contribution of projects and programs to these sorts of results, and more generally to rapid, broad-based, sustainable economic growth and poverty reduction.



U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT

TECHNICAL ANNEX E:

HUMANITARIAN ASSISTANCE

I. INTRODUCTION

- A. USAID'S MANDATE AND OBJECTIVES**
- B. TYPES OF HUMANITARIAN ASSISTANCE PROGRAMS
IN DIFFERENT COUNTRY CONTEXTS**
- C. DISASTER/DEVELOPMENT CONTINUUM**

II. STRATEGIC FOCI

- A. PREVENTION, MITIGATION AND PREPAREDNESS**
- B. DISASTER RESPONSE**
- C. TRANSITION INITIATIVES**
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III. COORDINATION

IV. MEASURING RESULTS

I. INTRODUCTION

A. USAID'S Mandate and Objectives

The United States has a long and generous tradition of providing assistance to the victims of manmade and natural disasters. Since the Agency was first established, USAID has served as America's primary means of providing emergency relief overseas and Humanitarian Assistance has been an important part of USAID's mission. The Administrator of USAID has been designated as the President's Special Coordinator for International Disaster Assistance and the President has directed all executive departments and agencies to treat the Administrator as the focal point for interagency deliberations on international disaster assistance.

Humanitarian assistance is not separate from, but is integral to, an overall strategy to achieve sustainable development. A single natural disaster can eradicate years of development progress in a matter of minutes, and civil conflicts can destroy social, political and economic institutions and set the development process back immeasurably. Appropriate development policies in USAID's four other priority areas can play a key role in protecting development progress by preventing disasters or mitigating their effects. Similarly, appropriate disaster preparedness and emergency relief measures, coupled where possible with development assistance programs, can help not only to save lives and alleviate suffering in the wake of disasters, but also to initiate the process of rehabilitation and reconstruction and speed the return to continued development.

USAID's Humanitarian Assistance Strategy has multiple objectives:

- Saving lives, reducing suffering and protecting economic assets in the face of disasters.
- Reducing the vulnerability of populations at risk from natural and manmade disasters and emergencies. The Agency also places a high priority on protecting development progress, through early detection of hazards, prevention, mitigation and preparedness and appropriate development policies. A key objective in this regard is to build local capacity to prepare for and respond to disasters.
- Facilitating a rapid return to normalcy, and local self-sufficiency in the aftermath of emergencies and disasters through effective rehabilitation. The Agency also seeks to help affected populations to return to the path of social and economic development over the longer term, through reconstruction and other development assistance programs whenever possible.
- Preserving basic institutions of civil governance during crises, and supporting new democratic institutions during periods of national transition.
- Protecting the food security and health of highly vulnerable groups who may be beyond the scope of current development assistance programs, or placed at increased risk due to short-term negative effects of development policies.

B. Humanitarian Assistance Programs in Different Country Contexts

USAID provides humanitarian assistance in a variety of country contexts. USAID responds to natural and manmade disasters in any country where people are at risk, regardless of the politics of their government. Thus, the Agency provides humanitarian assistance both in USAID-assisted countries where there are sustainable development programs and in countries where there may be no USAID presence.

Key types of humanitarian assistance activities and their different contexts

Disaster prevention, mitigation and preparedness (PMP) programs are vital components of USAID's worldwide humanitarian assistance strategy because they can sharply reduce the human impact and costs of disasters. These include such programs as cyclone warning systems; volcano monitoring and evacuation plans; earthquake risk management; famine mitigation, including early warning, vulnerability mapping and coping strategies; and professional training in disaster management. The primary foci of these programs are the USAID assisted countries -- with emphasis on those which are highly disaster prone. However, many PMP programs are regional in nature and may include countries where USAID does not have development programs.

Emergency relief is provided in response to "quick onset" natural disasters such as earthquakes, floods and volcanic eruptions. Relief supplies and services range from communications support, search and rescue, and medical assistance to emergency shelter, food and potable water. P.L. 480 Title II emergency food programs are among the Agency's most important emergency relief resources. These types of rapid response, emergency programs can be carried out in countries with or without USAID Missions with resources provided by the Offices of U.S. Foreign Disaster Assistance (OFDA) and Food for Peace (FFP) in USAID's Bureau for Humanitarian Response (BHR). In countries with a USAID presence, missions may also reallocate resources from their development portfolio to respond to emergencies.

Responses to complex emergencies have demanded an increasing proportion of the Agency's Humanitarian Assistance resources. These complex disasters are based in civil, ethnic and religious conflicts and are characterized by social upheavals which erode vital infrastructure and the basic institutions of society. Chronic food security problems are often sharply exacerbated by such crises. These situations call for a wide range of responses in which disaster relief activities are frequently coupled with emergency P.L. 480 feeding programs. In some of these countries afflicted by prolonged complex disasters there is no USAID mission presence. In others, where we do have a USAID presence, humanitarian assistance and development assistance programs must be closely coordinated. In such circumstances it is USAID's policy to coordinate the unique Agency resources in emergency management, transition initiatives and development planning in pursuit of the Agency goal of returning the society to a state of productive development.

Rehabilitation measures to restore stability and a basic level of self sufficiency to the affected population are an important part of the humanitarian assistance effort and should be linked to a mission's development assistance program whenever possible. Integrated in this way, rehabilitation assists the population to return to the path of development.

Transition initiatives are required to assist countries emerging from a prolonged conflict or complex emergency with new and creative types of assistance to revitalize their societies,

rebuild their institutions, and preserve national order. USAID's new *Transition Initiative* combines humanitarian assistance and development approaches to carry out programs such as the reintegration of dislocated populations, including demobilization of soldiers; the restoration of elementary security and infrastructure; and the creation of viable political institutions. In many cases these initiatives will be undertaken in countries where USAID does *not* have a traditional USAID mission, and will be implemented by the Bureau for Humanitarian Response's new Office of Transition Initiatives (OTI), in consultation with the relevant geographic bureau.

Social safety nets and response to immediate *food security* needs are important dimensions of USAID's Humanitarian Assistance programs. P.L. 480 Title II Maternal Child Health and food-for-work programs can perform an important safety net function and contribute to both immediate and longer term food security. While addressing the broader issue of global hunger, these programs help to protect the vulnerable and relieve the worst aspects of poverty as development takes place. Appropriately administered, these programs not only provide critical relief to high risk groups, but also establish the foundations for future development. .

C. Disaster/Development Continuum

Where the risk of natural or man-made disasters is significant, missions are expected to factor possible consequences into development planning, as they would any other critical assumptions. Sustainable development, by definition, must minimize a society's vulnerability to such disasters. Successful development strengthens economic, political and social systems and equips the population with the resources necessary to cope with adversity. Successful development hardens a society's economic and political ability to withstand disasters' effects.

To achieve and maintain sustainable results, development and disaster managers must work together, combining their skills to combat the devastating effects of natural and man-made disasters. These skills not only encompass the physical sciences, early warning, communications and the other traditional disaster tools, but also include the total array of the economic, political and social sciences.

The *Transition Initiative* recognizes an important but previously underemphasized need to help countries recover from crises and return to development. USAID is devoting resources specifically to mitigate the range of unique problems posed by countries in transition from crisis to normalcy or from autocratic to democratic rule. BHR's new Office of Transition Initiatives (OTI) serves as the U.S. Government's catalyst in coordinating efforts of several agencies in addressing fundamental political issues such as narrow public participation, weak leadership, excessive weaponry and limited employment opportunities.

II. STRATEGIC FOCI

In developing strategic plans, USAID missions and Washington offices should consider the major priority areas for humanitarian assistance, as appropriate. These include disaster prevention, mitigation and preparedness (PMP), disaster relief and rehabilitation, aiding countries in post-crisis transition and establishing safety nets and meeting short term food security needs of vulnerable groups. **The sections below outline objectives for each of these areas, highlight resource allocation priorities, provide planning and implementation guidelines and identify lessons learned.**

A. Preparedness, Mitigation, and Prevention (PMP)

Annual losses from natural and man-made disasters now exceed the total of official development assistance. The cost-benefits of effective investment in prevention, mitigation, and preparedness activities are very high. Enhancing local participation and capacity, encouraging appropriate host country policies, improving response capacity can have major benefits in enhancing a society's resilience to disaster impacts and in increasing the potential for sustainable development.

Objectives

- to reduce the impact of disasters on society;
- to improve indigenous capacity for rapid recovery from disasters;
- to reduce resources needed for disaster response; and
- to improve the potential for long-term sustainable development.

Resource Allocation/Priorities

USAID will give highest priority to PMP activities in countries which are vulnerable to disasters and have sustainable development programs.

In countries which are "disaster prone", with limited response capability, careful consideration should be given to developing objectives to reduce vulnerability through prevention, mitigation and preparedness measures. Factors which characterize these countries include:

- Historical incidence of recurrent natural disasters resulting in significant loss of life, infrastructure, and capital resources.
- Political and social instability and/or history of civil strife.
- Inadequate emergency management procedures and resources dedicated to prevention, mitigation, and preparedness.
- Poorly controlled industrial and nuclear processes which pose serious environmental threats.
- Weak local non-governmental and civil organization structures, and limited capacity of local organizations to respond to disasters or civil strife.

Planning and Implementation Guidance

The region, sector and type of PMP activity to be supported depends on how prone the region is to disasters, the potential for recurrence, the number of lives at risk, the local capacity for disaster recovery, and the opportunity for USAID to make an effective intervention.

Types of PMP activities for consideration include disaster early warning and forecasting, vulnerability mapping, targeted food security projects, evacuation planning, monitoring potential and incipient emergencies and strengthening communities to withstand disasters' effects.

Effective development activities in USAID's other priority areas are often the most effective preventive measures. For example, family planning programs can play an important role in reducing population pressures in fragile drought or flood prone regions. Appropriate economic growth and agricultural production programs can help to reduce food insecurity and poverty, two of the key factors that contribute to disaster vulnerability. Natural resource management programs, can help to protect the resource base which is critical to food production in marginal lands. Democracy and governance programs can help to reduce political instability and the threat of social conflict in areas prone to civil strife. Missions should consider these kinds of preventive steps through their development programs whenever appropriate in order to reduce vulnerability to disasters and to protect progress towards sustainable development.

Missions should also ensure that their programs do not directly or indirectly contribute to the vulnerability of the populations they serve, as may be the case when short-sighted development policies increase susceptibility for significant portions of the population to the adverse effects of natural or man-made events. For example, the construction of large reservoirs has frequently increased the seismicity of an area to the point where the original specifications were inadequate to protect the structure from earthquake risk. Ill-conceived irrigation schemes have lowered water tables adding to the longer term vulnerability of communities.

Missions play an extremely important role in early warning through their own observations and those of participating agencies, particularly PVOs. In the case of complex disasters which include regional and local political, economic, and social disruption, the role of the missions becomes even more crucial to achieving timely and appropriate responses. Missions may also develop their own bilateral projects to minimize disaster risks and protect development progress as in the cases of Niger (disaster preparedness), Bangladesh (flood warning) and Philippines (hazard mitigation for housing).

Missions interested in developing vulnerability analyses and strategies for PMP activities or programs can draw on BHR's Offices of U.S. Foreign Disaster Assistance (OFDA), Food for Peace (FFP) and Transition Initiatives (OTI). Some geographic bureaus can also provide substantial assistance to missions through regional PMP programs.

Mission Disaster Relief Plans Essential for Preparedness

As well as assisting the host country to prepare for disasters, USAID must serve its own community by affording early warning and ensuring that personnel are trained in disaster preparedness and response procedures. USAID missions are required to create and maintain a **Mission Disaster Relief Plan** and structure for responding to disasters. A mechanism to coordinate within the U.S. mission, with the host government, other donors and non-governmental organizations is essential, as is the capacity to monitor and control disposition of USAID donated assistance.

Best Practices/Lessons Learned

- Development programs which address poverty, food insecurity, and related factors which contribute to disaster vulnerability can be the most effective preventive measures.

- Early warning of potential hazards/emergencies is the most important means to avert cataclysmic disasters.
- Historical information on the propensity of the area to particular disasters should be collected and analyzed as part of the development of a country strategy and again during activity design. In the design process, natural hazard information should be used in defining the study area, objectives, and critical assumptions of the program.
- Participatory development resulting in local indigenous capacity together with acquisition of disaster management skills will allow countries to pursue sustainable development even in difficult circumstances.

B. Disaster Response (Relief and Rehabilitation)

Objectives

The primary objective of USAID's disaster response program is to save lives and prevent human suffering in countries which do not have the capacity to cope with the magnitude of the disaster themselves. Additionally, USAID seeks to fashion disaster responses so as to strengthen local institutions' capacity for coping with future emergencies. To the extent that vulnerability reduction can be attained through relief and rehabilitation activities, this is an important USAID objective.

Resource Allocation/Priorities

Disaster Relief receives the highest priority for disaster assistance funding, especially when the potential for human death and suffering is high. Within relief, priorities are:

- ††††† Massive Complex Emergencies (Civil Conflict/Famine) in which many thousands of people are at risk of death.
- †††† Large Scale Shock Disasters (Earthquakes, tsunamis, severe storms, volcanic eruptions in which the lives and health of thousands of people are in jeopardy.
- ††† Large scale natural disasters such as floods which severely threaten a population's health, food security, livelihood or critical infrastructure.
- †† Displaced person situations in which malnutrition, epidemics, lack of shelter, etc. severely threaten the health of the affected population.
- † Disasters of a lesser scale which pose a threat to life, health, property or livelihood.

Disaster Rehabilitation receives a high priority when one or more of the following conditions exist:

- It is necessary to reestablish the viability of the affected communities.
- It provides a means of reducing the vulnerability of the affected communities to future disasters.
- It provides transitional assistance until development efforts can be restarted.

Planning and Implementation Guidance

Technical assistance for disaster response is available to missions through Regional Disaster Advisors (RDAs) based in Addis Ababa, Costa Rica, and Manila and through

disaster housing advisors associated with RHUDOs in Jamaica, Ecuador and Thailand. RDAs are available to assist Embassies/USAIDs in assessing and responding to emergency situations. The disaster experts are familiar with the countries of the regions they represent, have security clearances and are known to government officials, UN, ICRC, and PVO representatives and U.S. Government officials in our Embassies/USAIDs.

When exigencies require and Missions request assistance, BHR/OFDA sponsors a Disaster Assistance Response Team (DART) to assume responsibility in the conduct of disaster assistance, or, where there is no U.S. presence, to work with whatever entities are active in the humanitarian assistance effort. OFDA can also provide up to \$25,000 in immediate funding upon request of the ambassador for declared disasters,

An initial needs assessment, which may include health and nutrition, infrastructure and critical facilities, homes, agriculture, etc., is necessary to determine extent of damage and the country's ability to cope with the disaster. The assessment may be done by the USAID if disaster assessment expertise is available in the Mission. UN or PVO assessments may meet OFDA's requirements. OFDA can provide assessment assistance if other dependable sources are lacking.

U.S. Mission resources are often the first to be deployed in the case of disasters. Missions are encouraged to make maximum use of in-country skills in assessment and technical assistance, transportation, communications and P.L. 480 commodities.

Requests for assistance from BHR should be as specific and precise as possible. BHR will respond with appropriate mobilization of relief commodities and services which may include a DART presence; transfer of common relief supplies from OFDA's stockpiles in Panama, Italy, Thailand, Guam and the U.S.; transfer or reallocation of P.L. 480 commodities; procurement and transportation of relief supplies; and funding of humanitarian activities implemented by IOs, PVOs, NGOs and contractors.

Lessons Learned

- Time is of the essence in terms of intervening to save lives and prevent human suffering.
- The earlier a potential or incipient disaster can be anticipated, and the appropriate intervention planned and implemented, the greater the chance of avoiding death and suffering.
- Slow-onset, complex disasters usually have a longer lead time in which to plan relief strategies and interventions. Given this early warning, missions can begin to reorient development strategies to combat the negative effects of disasters.
- Workable controls, accountability and monitoring are necessary to ensure that donated commodities and services reach the victims for whom they are intended.

C. Transition Initiatives

Objectives

Assisting countries emerging from crises to return to the path of sustainable development is an important new priority for the Agency.

Recognizing that many countries in post crisis transition do not have USAID missions, and that they have special needs that are not addressed by traditional disaster relief or development assistance programs, the Agency created the new **Office of Transition Initiatives (OTI)**. OTI's mission is to bring fast, direct assistance to the acute needs of priority nations emerging from political, economic and/or social distress. It will be a catalyst for other resources and community-based activity.

USAID is committed to anticipating emergencies emanating from social, political or economic transitions and to providing appropriate interventions to prevent or minimize disruptions within the affected society. **In countries in post crisis transition with a USAID presence, like Haiti, USAID missions have a vital role to play in transition initiatives** to restore economic and political stability and to promote the return to sustainable development.

Summary objectives include:

- to assist countries to move beyond crises;
- to reduce the threat of - or avoid - developing crises;
- to help establish sufficient stability to allow for sustainable development;
- to build local capacity.

Differing Country Contexts

Transitions are induced by many stimuli - civil conflict, democratization, elections, peace accords, demobilization, independence. In sustainable development countries in which USAID maintains a presence, Missions are urged to identify and report conditions which may lead to disruptive transitional forces. Whenever appropriate, OTI will provide resources to further define the problem and support the Mission with interventions complementary to development initiatives. Transition initiatives will also be required in non-USAID countries, in which case OTI will work with the U.S. Diplomatic Mission or, in its absence, such international or indigenous organizations that may offer credible means for resolving the transitional issues.

Resource Allocation/Priorities

Target countries will be selected on the basis of:

- the opportunity for democracy and civil development;
- the significance to the United States, economically, strategically and culturally;
- the ability to make potential long-term difference;
- the presence of specific objectives to pursue;
- the potential to leverage more resources; sufficient local political will--at any level of society.

Planning and Implementation Guidance

The design of transition initiative programs will integrate the political, economic and social elements of the local situation, openly involve citizens and spur further activities. The broad range of interventions under consideration by OTI include:

- Demobilization and reintegration of troops
- Relocation planning; surveys and removal of land mines
- Election assistance
- Communications networks
- Leadership development; institution building; conflict resolution and mediation training
- Near-term job assistance: microenterprises, public projects and food distribution

Transition initiatives may also be useful in both sustainable development and relief situations.

In *sustainable development* situations there may be election preparation irregularities, suppression of local groups, blocking of open communications, corruption of officials, or breakdown of the legal system. These are situations where a timely, overt investment of stabilizing resources can play an important role by reducing the elements of conflict.

In *relief* situations, assistance may be provided to legally empowered fledgling local groups, unskilled leadership, displaced populations, excessive arms and other destabilizing forces. These represent opportunities to build local capacity and begin the reconstruction process.

Roles and Responsibilities

Missions are asked to monitor political developments and to look for early opportunities to assess potentially disruptive situations. Requests for TI assistance, made through geographic bureaus, are encouraged. All TI work will be coordinated closely with the Missions in country and with the geographic bureaus in Washington.

OTI will work closely with OFDA Disaster Assistance Response Teams, when present, in its in-country assignments and will rely on the BHR communications network for information regarding developing situations.

Lessons Learned

OTI has not yet had the opportunity to evaluate past performance; the following lessons have been observed in tangential programs dealing with crisis management:

- An early start and quick investment provides enhanced policy options. and saves initial resources.
- Assessments should be carried out rapidly (within 30-45 days) and should seek information from all concerned elements.
- Political, social and economic analysis should be an integral part of planning.
- Operations should be transparent, and evoke modest expectations.

D. Social Safety Nets

Social safety nets are program initiatives that provide relief or development assistance directly to the segments of the population considered to be at risk of losing viability due to conditions beyond their control, including those facing acute food insecurity. Social safety nets are appropriate both to disaster response situations and as adjuncts to sustainable development programs as a *temporary* measure to protect those at greatest risk. *Great care must be taken to ensure that safety nets do not become long term welfare programs.*

Objectives

In **disaster response** situations, objectives are:

- To meet immediate relief needs related to food security, shelter and health care.
- To equip individuals at risk--particularly the most vulnerable--with skills, tools and other resources to offset near and medium-term needs; and
- To complement efforts in sustainable development programs, elements of which have been compromised by the humanitarian crisis.

In the **sustainable development** context:

- To meet short term assistance needs of groups that have insufficient access to development opportunities, reducing their participation in development;
- To ameliorate negative impacts of policy reforms on the most vulnerable groups; and
- To build the capacities of least viable groups to meet the survival needs of their families and immediate communities when faced with short term crises or transitory food insecurity.

Resource Allocation/Priorities

USAID Missions should consider the development of safety nets when groups are at high risk of survival and requiring immediate assistance as a result of the following factors:

- Significant short term food insecurity.
- Economic dislocations caused by structural adjustment or other policies which reduce access to food, health and other services.
- Natural disasters or civil strife which have resulted in population dislocations, loss of jobs or income, destruction of property and/or reduced food production/availability.

Priority consideration will be given to the support of innovative country strategies that:

- Meet immediate food needs of high risk groups through means that promote long term food security;
- Use food for work/vocational opportunities targeted at vulnerable groups to meet development priorities of the communities in which they reside;
- Forge partnerships between nongovernmental organizations, local communities and host governments in the implementation of programs targeted at the most vulnerable;

- Combine food aid with development assistance to expand the roles of vulnerable groups in direct participation with both programs; and

Food insecure nations are normally more vulnerable to man-made and natural disasters. Within these countries, *food security* is a major focus of USAID's strategy. Safety net programs are increasingly important tools in meeting short-term needs of these countries' vulnerable populations.

Planning and Implementation Guidance

USAID Missions are encouraged to identify groups at significant risk within their purview and to consider appropriate alternatives for reducing their vulnerability. Targeting groups should be a collaborative effort, and should include the host government, other donors, U.S. PVOs and international and indigenous NGOs, civic leaders and representatives of the vulnerable groups in the planning process.

Particular consideration should be given to effective use of P.L. 480 food commodities to meet the needs of vulnerable groups and promote food security. USAID should work closely with its PVO partners to plan how emergency feeding, food for work, MCH feeding and other Title II programs can respond to immediate food needs, while also contributing to longer term food security.

Social safety net programs implemented within the development strategy should also be viewed as tools of preventive diplomacy. Safety nets can be designed to expand development opportunities for vulnerable population groups that are adversely affected by policy reform, for instance, and would otherwise be inclined to contribute to insecurity caused by growing discontent with the political, economic and social systems.

Lessons Learned

- Social safety net strategies are most effective when the initiative is designed to assist participants and beneficiaries to contribute to and benefit from recovery and development programs.
- Governments must be clearly committed to the implementation of safety net programs; this commitment must be independent of donor desires.
- It is important to deliver assistance in a manner that does not stigmatize recipients nor lead to further dependence.
- The height of the food safety net is important. If it is too low, too few will benefit in the society. If it is too high, economic growth and self reliance may be negatively affected.

III. COORDINATION: PARTNERS IN HUMANITARIAN ASSISTANCE

USAID is the lead agency in the USG in providing humanitarian assistance to those who suffer inordinately from the crippling effects of poverty, disasters and political and social inequities.

In most disaster and emergency responses USAID is one of several partners trying to achieve the common goal of preserving the lives and protecting the viability of disaster victims. The effectiveness, timeliness and appropriateness of the external intervention to disasters are dependent on the degree to which response elements work cooperatively.

Within USAID, several partners insure the efficient and effective planning and implementation of foreign disaster responses. **OFDA** bears the brunt of responsibility for disaster relief as does **Food for Peace** for emergency food requirements and the promotion of food security. The **regional bureau** is relied upon to provide coordination with the **field missions** and to ensure that the disaster response and food programs are complementary to and gain support from ongoing development programs. Policy issues are resolved with the help of **PPC**; technical issues may involve **Global and other central bureaus**. Ultimately, it is the USAID Administrator's task to ensure appropriate response within legislative and policy parameters.

U.S. Private Voluntary Organizations are particularly important partners in USAID's Humanitarian Assistance program. The PVO's experience in food aid and disaster relief makes them a critical asset in reaching the neediest. PVOs frequently work in communities which are deprived of resources and opportunity or are stricken by disaster. Their presence often makes the difference between success of a humanitarian operation or failure. The execution of on-the-ground activities, including accountability, has been increasingly entrusted to PVOs and, where feasible, to their **Non-Governmental Organization (NGO)** counterparts in affected communities. The strengthening and empowerment of these organizations to meet the exigencies of the ongoing or future situations of deprivation are important elements in our humanitarian responses.
(see below).

USAID is dependent on several other USG agencies whose policies and resources are critical to the attainment of humanitarian assistance goals. The **State Department** is an active partner in every disaster, given legislative history which directs that foreign disaster relief shall be conducted by USAID in consultation with the Secretary of State. The determination that a disaster exists to which the U.S. Government will respond is made by the Department of State. The **Department of Defense** is frequently a partner when quick reaction is critical or the level of logistics requirements exceeds that which the private sector can provide. In the current environment in which effective responses to complex emergencies require the pre-existence of peacekeeping or security resources, DOD is an important element in the strategic planning and implementation of relief efforts. Several other Federal agencies provide essential services in foreign disaster relief. The **Departments of Agriculture and Health and Human Services** support USAID in the planning and management of emergency technical services. **Interior, Commerce** and **NASA** offer technical expertise in the earth sciences as does the National Science Foundation. **Commerce** and **Treasury** are occasional partners when post disaster transitions can be enhanced by participation of the U.S. private sector or when legislated preclusions such as embargoes constrict interdiction. The **Department of Agriculture** is USAID's principle collaborator in Title II and Title III food acquisition and shipping, and is integral to USAID's food aid strategy.

International organizations, primarily the United Nations operational agencies and the international Red Cross movement, offer vast and significant resources for humanitarian responses. OFDA and Food for Peace frequently work through **UNHCR, WFP, ICRC**,

UNICEF and others to meet outstanding food and non-food requirements of humanitarian interventions. In the emerging world in which long term, seemingly intractable civil conflict situations jeopardize entire societies, the role of the **UN Security Council** and the **UN's Peacekeeping Operation** are becoming necessary emergency adjuncts to the **UN's Department of Humanitarian Affairs**.

Principles of Coordination

- The ultimate responsibility for the protection of societies from natural and man-made disasters lies with the society itself. Outside assistance must not supplant this responsibility but should strengthen and complement it. Coordination with the local government and people is essential to achieving an effective intervention and assuring the quick return to development.
- USAID, in recognition of the skills and resources of U.S. PVOs in humanitarian programs, encourages them to take on additional responsibilities for relief and vulnerability reduction in disaster prone and food insecure countries. BHR supports such efforts through grants for strengthening, operational support and relief.
- It is USG policy to encourage other donors, including the UN system, to meet their fair share of the burden.
- USAID has a number of means for instilling expertise within the PVO community and through U.S. PVOs to indigenous NGOs around the world. InterAction, VITA and the Food Aid Management Group are three mechanisms which have done much to coordinate the efforts of the U.S. private sector with those of the USG.

IV. MEASURING RESULTS

Disasters, whether natural or man-made, are the result of a series of events which appear so variable that we often view them as random. Measuring attempts to prevent or mitigate them--or even respond effectively--is a new art. We have learned much in the past decades about the causation of natural events and have built an arsenal of appropriate responses to deal with incipient or actual threats. Less is understood about man-made events, especially those stemming from societal unrest due to complex economic, political and social factors. Success in implementing PMP programs can be determined on the basis of fairly simple criteria.

- Was our strategy designed to meet the right objectives?--Was the presumed threat in fact as dominant as we had predicted?
- Was the intervention timely and did it achieve the anticipated results?
- Was the cost commensurate with the economic and social consequences of the unmitigated threat?
- Was the activity sustainable following the cessation of USAID funding?
- Was the activity viewed by the Mission to be of sufficient merit to warrant continued funding under the development program?

The timeliness and to a large degree the appropriateness of humanitarian response interventions can be measured objectively. There are, however, a number of complicating factors for which we continue to seek measurement criteria:

- Did the initial strategy for response adequately consider the facts available at the time?
- Were the objectives sufficiently clear to guide actions and ultimately evaluation?
- Were the objectives successfully met in human as well as logistical terms?
- Did the humanitarian response advance the cause of or facilitate the return to development? Did it leave the beneficiaries less vulnerable to future deprivation?

History provides ample proof that early intervention in complex emergency situations is the key to minimizing death, suffering and societal disruption.. **Anticipation**, then, is a critical aspect of effective response.

In today's environment of volatile social and political risk in many parts of the world, **coordination** with other donors including the international organizations, regional entities and financial institutions is a *sine qua non*.

Because of the number of societal crises epidemic in the world today, we must limit the duration of our involvement and must ensure that **disengagement** criteria are considered in strategic planning.

- Precise measurement indices need to be developed to monitor progress and evaluate results to assure that the above conditions spelled success, such as:
- The signals indicating the need for intervention were recognized at a time when appropriate action could be taken to minimize the disruption.
- A timely commitment was made to take decisive action to resolve the problem.
- Strategy was set to incorporate available resources, including those of other donors, in a viable plan of action.
- Contingency planning was effective in counterbalancing fallacious assumptions.
- Resources were sufficient to meet the objectives and allow the earliest feasible disengagement.
- Ultimately, the USG response will be measured on the basis of how rapidly and effectively the affected population achieved a desirable measure of stability.

1. Note the analysis described in detail in World Development Report 1993: Investing In Health. The World Bank.